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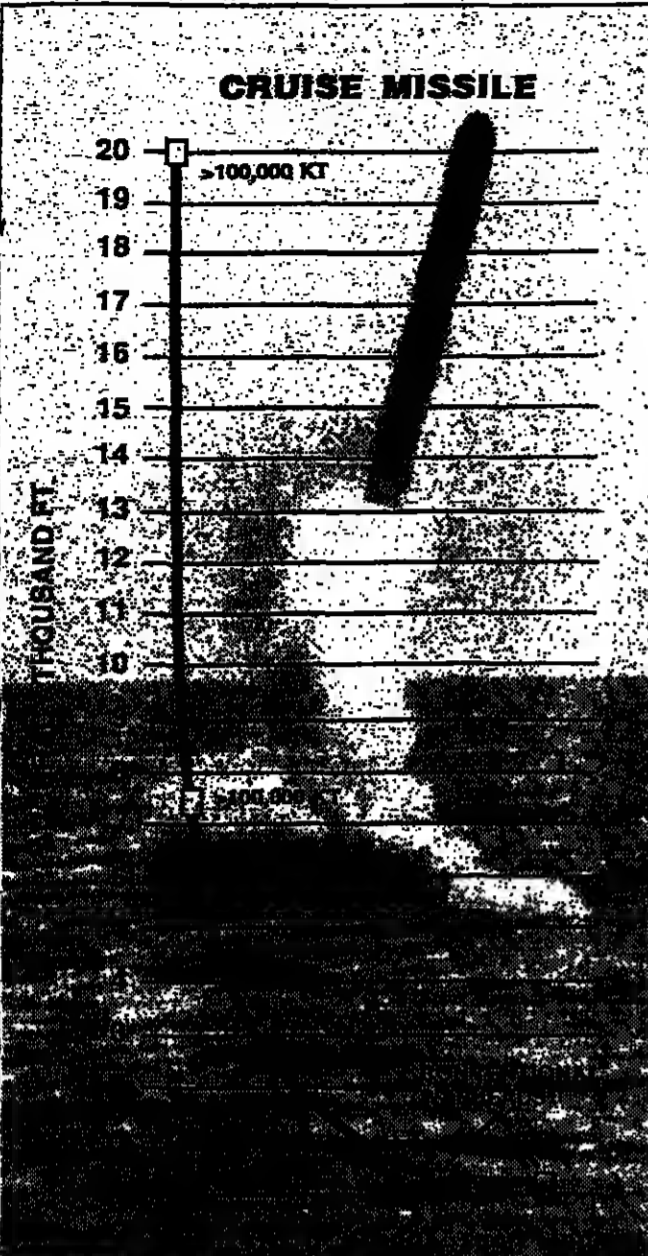
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New Missile Strategy Urged



U.S. Panel Sees Risks In 3d World

By Joseph Fitchett
International Herald Tribune

WASHINGTON — Highly accurate nuclear and conventional missiles have reduced the possibility of an all-out Soviet assault in Western Europe but increased the risk of limited nuclear strikes, possibly involving the superpowers in Third World conflicts, according to a Pentagon report.

To maintain stability, the report says, the West should concentrate on high-technology weapons capable of delivering surgical nuclear strikes and move away from weapons that threaten nuclear Armageddon and thus undermine support for nuclear deterrence in the United States and among its allies.

Entitled "Discriminate Deterrence," reflecting its emphasis on greater flexibility in U.S. military weapons and tactics, the report was prepared by a bipartisan panel of 13 prominent defense specialists.

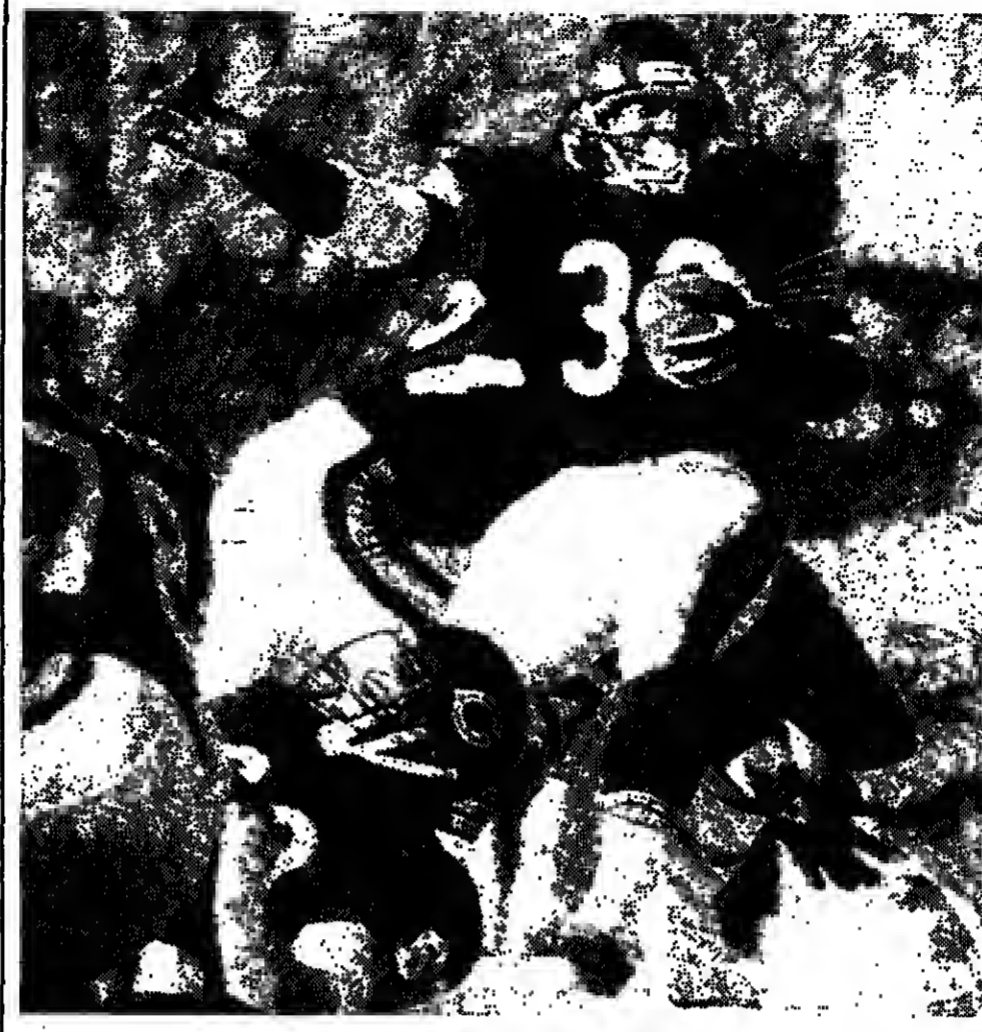
They included Henry A. Kissinger, the former U.S. secretary of state, and Zbigniew Brzezinski, President Jimmy Carter's national security adviser. Based on the work of four study teams and costing \$1.6 million, the report is intended to provide a long-term U.S. strategy.

To be presented Tuesday to President Ronald Reagan, the report's impact on U.S. policy will depend largely on whether it influences the U.S. administration that takes shape after presidential elections in November, according to Fred C. Ikle, the under-secretary of defense for policy. He coauthored the report with Albert Wohlstetter, a conservative U.S. strategic analyst.

Improving U.S. and Soviet ability to knock out military installations with long-range, small-warhead nuclear weapons adds up to the most important military development since World War II, according to Mr. Ikle. "The 30-year revolution in accuracies has more cumulative impact than the initial qualitative leap from conventional explosives to the A-bomb," he said in an interview.

As missiles have become more accurate, smaller warheads — such as those carried on cruise missiles — can be counted on to destroy military targets.

The trend toward smaller warheads, the report says, is a key



Redskins Beat Bears in NFL

Calvin Thomas side-stepped into the end zone Sunday to score a touchdown for Chicago, but the Bears lost to the Washington Redskins, 21-17, in the National Football League playoffs. On Saturday, the Minnesota Vikings pulled off their second upset of the playoffs, trouncing the heavily favored San Francisco 49ers, 36-24, to gain the National Conference title game, where they will play the Redskins. In the American Conference, the Cleveland Browns easily beat the Indianapolis Colts, 38-21. Stories, Page 15.

Kremlin Renews China Bid

Gorbachev Tells Beijing Magazine He Wants Summit

By Philip Taubman
New York Times Service

MOSCOW — Mikhail S. Gorbachev proposed a summit meeting with China in an interview published Sunday in a Chinese magazine.

The Soviet and Chinese leaders have not met since 1959, when Nikita S. Khrushchev held talks in Beijing with Mao Zedong.

The interview in the magazine *Liaowang*, the first time in more than a quarter century that a Soviet leader has directly addressed the Chinese people, underscored Mr. Gorbachev's desire to move ahead more rapidly with the normalization of relations between the world's two largest Socialist societies.

The senior Chinese leader, Deng Xiaoping, rebuffed a similar offer by Mr. Gorbachev in early December.

However, the publication of Sunday's interview suggested at least tacit Chinese approval of Mr. Gorbachev's proposal and the generally positive views he expressed about relations between Moscow and Beijing.

Relations have improved in recent years, but major political differences remain.

Chinese officials have responded warily to Mr. Gorbachev's effort to restore a measure of the friendship that bound the two countries together before their bitter split in the early 1960s.

The Chinese have said that relations cannot be fully normal until Moscow withdraws its forces from Afghanistan, reduces the number of troops along the Chinese border and ends its support for the Vietnamese presence in Cambodia.

The interview, as made available in Moscow by the press agency Tass, offered Mr. Gorbachev's most optimistic assessment of relations with China since he took office in March 1985.

"China is our neighbor," Mr. Gorbachev said, "and we feel satisfaction with the accelerating mutually advantageous cooperation in economy, culture, science, education and sport."

"Soviet-Chinese border negotiations have made a successful start. Political dialogue is being established. A Soviet-Chinese summit meeting could become, in our view, its logical development."

Mr. Gorbachev, reiterating Moscow's position, said:

This chart accompanies a Pentagon report to be released this week that says missiles now can use small warheads with greater accuracy. One official said the ability to use less explosive power was the most important military development since World War II.

U.S. to Build Spy Plane That Radar Can't Spot

By Richard Halloran
New York Times Service

WASHINGTON — The U.S. Air Force is secretly developing a long-range reconnaissance aircraft that will incorporate technology intended to permit the plane to evade detection by radar, Defense Department officials say.

The plane is being designed to fly at more than 3,800 miles per hour (6,100 kilometers per hour), or more than five times the speed of sound. It will fly higher than 100,000 feet (30,500 meters) and, with aerial refueling, will be limited in range only by the crew's endurance.

The reconnaissance plane is the third being built with the Stealth radar-evading technology. The others are the B-2 bomber, scheduled to go into operation in the early 1990s, and the F-19, a plane designed to be used as a fighter or for short-range reconnaissance. The F-19 is reported to be in flight testing now.

The plane is intended to replace the aging SR-71 Blackbird aircraft, of which only nine of the original 30 are still in service. The SR-71, which can fly three times the speed of sound at altitudes above 80,000 feet, is based on technology that is 25 years old.

Beyond speed and altitude, officials said, the advantage of the new plane would be its ability to remain undetected. "With the SR-71, they can't see us, but they can't touch us," an official said. "With the new technology, they won't even know we're there."

Progress in building the plane, when it might become operational and its specifications and cost could not be determined. Nor would officials discuss where it might be built. The Lockheed Corp. has been widely reported to have built the F-19 in California.

Although details of Stealth technology are secret, aviation specialists have said it includes materials that absorb rather than reflect radar beams, body surfaces that deflect radar, and controls on engine exhaust and heat that are designed to foil infrared detection systems.

Long-range reconnaissance planes, beginning with the U-2 in 1955, have photographed military positions and gathered other intelligence all over the world. Today, SR-71 pilots and reconnaissance officers photograph Iranian naval and air bases to provide information to U.S. ships in the Gulf and Arabian Sea.

SR-71s photographed potential targets for the two U.S. bombing raids on Libya in the spring of 1986 and of Cuban positions in Grenada just before the U.S. invasion in 1983, officials said. The planes also monitor Soviet arms shipments to Nicaragua.

The officials said the new plane was being developed to fill a gap in photo intelligence caused by the aging of the SR-71s and their scarcity. The officials said some of the planes had been lost in crashes while others had been worn out through extensive flying.

Although satellites are now used to gather large amounts of photographic intelligence, the officials said some things cannot be done by unmanned spacecraft.

Satellites follow a predictable path over the earth.

See PLANE, Page 5

Markets Jittery After Stocks' Latest Fall

By Carl Gewirtz
International Herald Tribune

PARIS — Financial markets, barely recovered from last October's turmoil, appeared headed for a new wave of unrest this week after the renewed plunge late Friday of stock and bond prices in New York.

"The real question," a London banker said, "is not what Tokyo and London do Monday — they no doubt will play follow the leader and drop too — but what New York does."

"An early recovery on Wall Street," he said, "would leave Tokyo down for the day, whereas a continued decline in New York could signal a new round of global instability."

On Friday, the Dow Jones average of 30 industrial shares, the leading barometer of performance on the New York Stock Exchange, plummeted 140.58 points, or 6.83 percent, to close at 1,911.31. It was the index's third largest fall.

And in the bond market, the key

8 1/2 percent 30-year Treasury issue closed at 97 11/32, off nearly 2 points.

But Giles Keating, economist at Credit Suisse First Boston in London, said it would be wrong to expect a replay of the ricocheting movement agreeing to "cooperate closely on exchange markets."

"The transmission of instability in October was the dollar's weakness," Mr. Keating said. As the dollar sank, so did the profit prospects of companies outside the United States who would find it harder to compete against products made in America.

The currency agreement, which last week led to huge coordinated official intervention from the seven as well as from outside countries such as Switzerland, Austria and Singapore, "means that a key link in the chain of instability has been broken," Mr. Keating said.

The intervention, in the form of purchases of the dollar and sales of other key currencies, was triggered by a further 5 percent drop in the dollar from its Dec. 23 level.

As a result, the dollar sank about 10 percent between mid-October and Dec. 23, when the United States and the other members of the Group of Seven — West Germany, Japan, France, Britain, Italy and Canada — issued a new state-

ment agreement to "cooperate closely on exchange markets."

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currency ended Friday at 1.6385 DM, almost 5 percent higher than its low against West Germany's Deutsche mark, also Jan. 4.

If U.S. trade figures for November prove disastrous when they are released this week — rumors in Chicago had the deficit soaring to \$20 billion from October's record \$17.6 billion shortfall — Mr. Keating said the central banks might stand back and let the dollar fall sharply, before stepping in to drive it back up.

What seemed to unnerve Wall Street most on Friday was the report that the U.S. unemployment rate fell in December when jobs grew by 326,000, considered a big increase.

"Wall Street was oversold on the coming recession," said Jerome Goldstein, managing director of Sanwa Bank International in London. A slowdown in the United States was widely forecast because of the effect October's crash would have on the willingness of consumers to go on spending.

The employment gains are widely interpreted as baring an overly rapid rate of economic growth. Such growth could begin to fuel demand for higher wages, continued high demand for imported com-

Klosk

Thatcher Aide Leaves Cabinet

LONDON (Reuters) — Britain's deputy prime minister, Lord Whitelaw, one of Prime Minister Margaret Thatcher's closest aides, resigned Sunday after suffering a slight stroke last month.

Lord Whitelaw, 69, said it would be unwise "to undergo in future the stress inseparable from senior ministerial office." His position as Conservative Party leader in the House of Lords was filled by his deputy, Lord Belstead.

MONDAY Q&A

Elie Wiesel, 1986 winner of the Nobel Peace Prize, is in Paris for a conference of Nobel laureates. Page 2.

General News

Alexander Dubcek sees a connection between the "Prague Spring" and the Gorbachev reforms. Page 2.

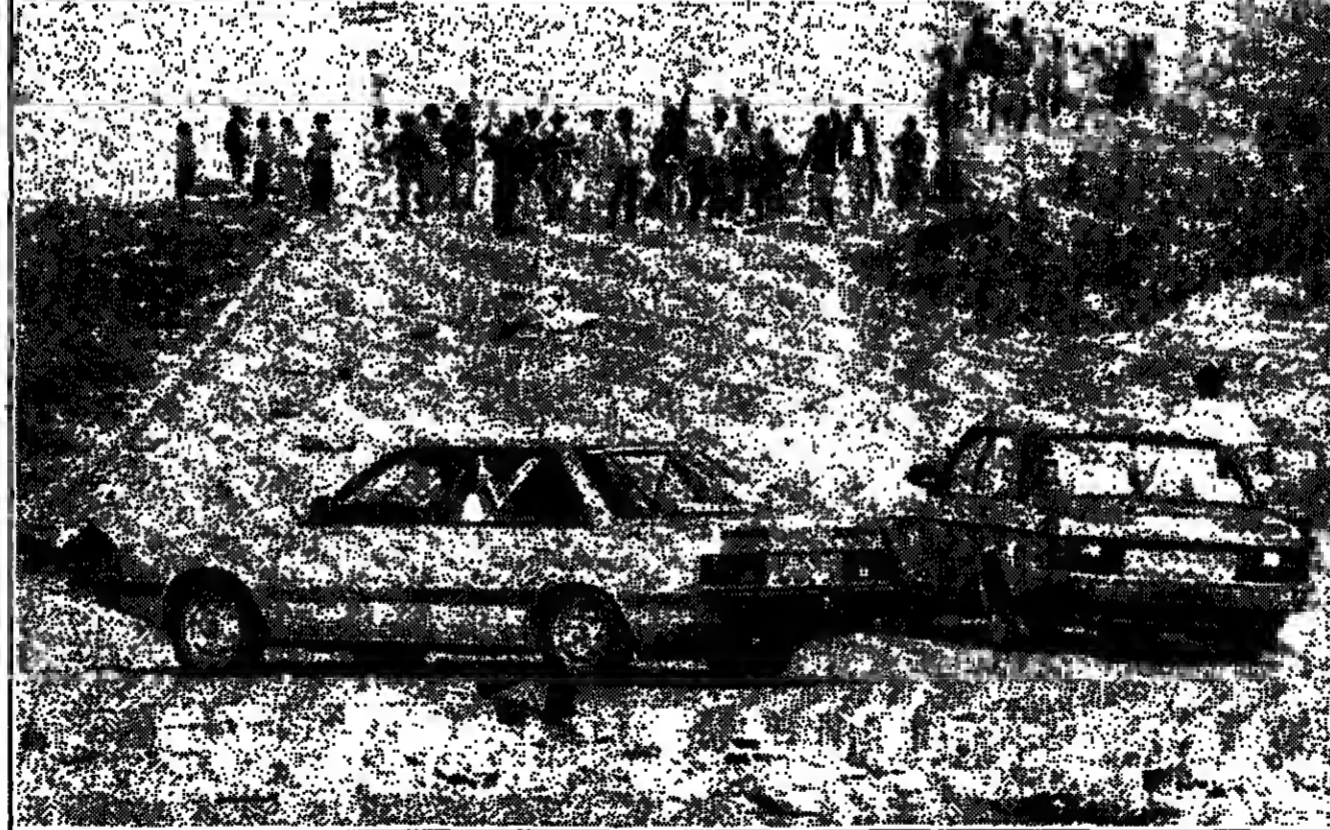
Police quelled celebrations after a rumor that Manuel Noriega had fled Panama. Page 3.

Business/Finance

World demand for oil is rising faster than previously expected, the International Energy Agency said. Page 11.

Special Report

Assessing the damage at U.S. brokerage houses in 1987. In Personal Investing. Pages 7-10.



Palestinian protesters in Gaza blocked cars of television crews and photographers on Sunday as the unrest continued.

Gaza Starts to Take On Look of Lebanon

By John Kifner
New York Times Service

KHAN YUNIS, Israel-occupied Gaza Strip — Battered white Peugeot pulled up to the roadblock. The Palestinians had thrown across the main highway through the Gaza Strip, and the driver opened the trunk to reveal his cargo: eggplants, tomatoes, scallions and potatoes.

A few miles to the north, an Israeli military helicopter was dropping tear-gas canisters into the Dier Balah refugee district. Just to the south, Khan Yunis had been sealed off by the army for five days, after clashes in which an 18-year-old Palestinian was shot and killed.

"We have been collecting food here for the last two days; every family helps out," said Sheikh Akram Agad, a Moslem cleric in the roadblock as another car arrived with its backseat, as well as its trunk, piled high with cauliflower.

"The camp has been under siege for nearly a week, and the hospital asked for food, too," he said. "If the Israelis catch one car, another gets through by the backroads."

The Israeli Army banned journalists from the Gaza Strip on Saturday, declaring the entire district a closed military zone. But to four U.S. reporters, whose car slipped past the military checkpoints, the Palestinian roadblock in the midst of a huge military deployment was only one of several scenes indicating that what started with teen-age rock throwers has grown into a confrontation with most of the population.

As the clashes went into a second month, the refugee districts and villages up and down the Gaza Strip were clearly identifiable by the pillars of black smoke on the horizon, rising from burning tires set in the streets as barricades.

Steel shutters were locked down over storefronts in a general strike. The streets were empty, except for the knots of young men and boys gathered on corners or around the burning tires, ready to throw rocks.

Israeli soldiers set up checkpoints at the main intersections. At intervals, convoys of armored personnel carriers with machine guns mounted on the top rumbled by.

In many places, where pitched battles had gone on between the army and the protesters, the streets were a shambles, filled with stones and chunks of concrete, pieces of metal and smoldering rubber.

Some streets were blocked by wrecked cars. Palestinian flags, banned by the occupation authorities, were hung from power wires and flew atop mosques.

Moving between the pockets of army checkpoints and the Palestinian towns and districts was reminiscent of passing between areas in Lebanon controlled by rival militias.

See ISRAEL, Page 5

Nevertheless, Mr. Genscher made it clear that he is unhappy with the United States over the resumption of manufacturing of chemical weapons last year after an 18-year suspension. The United States began producing two binary weapons, using two harmless chemicals that become lethal when combined.

Moscow has warned that U.S. production of chemical weapons could derail the negotiations, although it has pledged to continue negotiating.

Mr. Genscher also criticized what he described as Western skepticism over the feasibility of verifying a chemical-arms accord. Bonn government officials said his comments were intended for the United States and France.

"We see, not without worry, voices now growing louder in the West which raise doubts about whether verification is at all possible in the area of chemical weapons," Mr. Genscher said, "and this could create new obstacles for conclusion of a treaty."

U.S. officials, responding to Mr. Genscher's criticism, said the United States and France were

Head of Exchange Says Fresh Plunge Possible

Compiled by Our Staff From Dispatches

WASHINGTON — The chairman of the New York Stock Exchange said Sunday there was "no guarantee" that a stock plunge paralleling that of Oct. 19 would not occur again.

But John J. Phelan Jr., responding to concerns about Friday's 140.58-point decline in the Dow Jones industrial average, said he hoped that institutional investors had learned a lesson from the October market collapse.

A presidential panel on Friday cited computerized block sales by a small number of institutional investors as a major factor in the 508-point nosedive of the Dow Jones industrial average on Oct. 19.

"Of course there is no guarantee" that a major decline in the index of 30 major stocks will not occur again in the future, Mr. Phelan said on the NBC television program "Meet the Press."

But he added, "I would hope that those people who were active in this market and using those mechanisms in the weekend of Oct. 19 have learned something about not only how to protect themselves, but also their responsibilities to the market, and their responsibilities to 180 million Americans, who either directly or indirectly invested in that market."

On Oct. 16, the Friday preceding the drastic Oct. 19 plunge, the stock index fell by 108.35 points, which was then a one-day record.

When traders returned to work the following Monday, a wave of selling began that rivaled the historic market downturn of 1929. In the weeks that followed, prices fell still further.

Friday's decline in the Dow, the third-biggest in history, has raised fears about the potential for another steep drop Monday.

Mr. Phelan also said he was not troubled by a recommendation by the presidential panel that the Federal Reserve Board, the U.S. central bank, be given expanded regulatory powers over related segments of several markets.

He said he agreed "that some agency needs to be" in charge, "and I don't have a particular problem with the Federal Reserve." The Fed has not said it would accept a supervisory role, however.

The task force appointed by President Ronald Reagan to study the October collapse was headed by Nicholas F. Brady, a former Secretary of the Treasury.

See PANEL, Page 13

The Brady panel said a few big financial entities were behind the Oct. 19 plunge. Page 11.

Chemical Arms Accord Is Seen as Unlikely in '88

By Robert J. McCartney
Washington Post Service

BONN — Despite major Soviet concessions in principle in August on how to verify a proposed agreement to ban chemical weapons, serious and complex differences remain and are likely to prevent the signing of the accord this year, according to U.S. and West German officials.

The Western view is significantly more pessimistic than it was last spring, when delegates to the 40-nation talks in Geneva predicted that the convention could be ready for signing in early 1988.

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Elie Wiesel, Gathering Laureates for Eclectic Conference

Elie Wiesel, who in 1986 became the first writer to be awarded the Nobel Peace Prize, is co-sponsoring with President François Mitterrand of France a meeting of Nobel laureates in Paris on Jan. 18-21. The theme of the conference, which 80 Nobel prize winners from all disciplines are expected to attend, is "Facing the 21st Century: Threats and Promises." He was interviewed in Paris by Charles Mitchell of the International Herald Tribune.

little hope, it is certainly this century. And the question is what kind of legacy we are going to leave for the next one. And the message will be, that it's up to us, it's really up to us. Since the subtitle is

MONDAY Q&A

"threats and promises," it's really up to us to turn the threats into promises. That's the message.

Q. Aren't you afraid that this might be viewed on the one hand as a sort of full-page advertisement in The New York Times signed by famous people and, on the other hand, as sort of an involvement in French politics?

A. There are two questions there: the common factor there is the fear. Of course I'm afraid. As for the first, what is the alternative? Not to do it? Of course the danger exists. But what then, not to do it? As for the second, I know that some people will say that, but I am trying my best to depoliticize the project. In other words, I know we are very close to the elections, but the president accepted

the idea in '86. At that time, the idea of such fear didn't exist because it was so far away.

Q. With an agenda going from AIDS to disarmament and culture to peace, aren't you afraid that the focus may be blurred?

A. What is the focus? There are so many problems, so many emergencies, not only urgencies, in the world. By definition, the people who are coming, the people who are coming are among the best, although not all the people who should be at the conference can come because they don't have the Nobel, but they deserve the Nobel. But those who are there naturally are almost by definition among the best, and therefore they should pay attention to everything that happens in the world. There are many problems that should be number one.

Q. Right now the question of Israel and the occupied territories, which you have written about earlier, is very much in the headlines. Have you thought more about this?

A. I am profoundly linked to Israel. I love Israel with all my heart. And naturally when we saw on television pictures of Israeli soldiers being forced to fire even rubber bullets or use tear gas against children, it hurts, it hurts terribly. But then what should Israel do? I don't know what Israel should do. Give up? They cannot give up. Compare Israel to other nations, and then I would tell you that Israel does not have to take lessons from anyone. If you compare Israel to France, what the French have done in Algeria. Or in the British, what the British have done in the colonies. Or even to the United States, what we have done in Vietnam. And Israel comes out much better than all of the others. And yet, France was not threatened in her existence during the Algerian war. The United States was not threatened in her existence during the Vietnam War. Britain was not threatened in her existence during the colonial period. Israel is threatened, the only country in the world whose existence is jeopardized. I believe that Israel does act with restraint. Nevertheless, it hurts. I must say, me as a Jew who loves Israel, it hurts

to see Israel in such a situation. But what should be done? Q. Your conference will also get into the main East-West questions of disarmament and peace. After the euphoria in the United States over the summit, do you have a feeling for the longer range effect of glasnost on the Americans? A. I was less euphoric. I was one of the organizers of the march on Washington. I had the idea two years ago in a piece for The New York Times, saying that the time has come for the civil rights march of the 60s to be followed by the human rights march for Soviet Jewry of the 80s. And therefore I spoke there and I was very gratified to see 200,000 people come, Jews and non-Jews, to that demonstration. As much as I am glad whenever world leaders meet to reduce armaments, the proof must always be illustrated in human terms. How can I expect Mr. Gorbachev to feel sorry for billions of people when he doesn't feel for a few people, for a few thousand people who are either in camp or in prison or simply in expectation or in anguish because they're waiting for visas.

Dubcek Sees 'Profound Connection' Between '68 Effort and Gorbachev

By Roberto Suro
New York Times Service
ROME — Alexander Dubcek, the Czechoslovak leader ousted by Soviet-led troops in 1968, says he sees a "profound connection" between the changes he tried to initiate 20 years ago and those being undertaken by Mikhail S. Gorbachev, the Soviet leader, according to an interview published Sunday. L'Unita, the Italian Communist Party newspaper, said Mr. Dubcek, who has lived in obscurity since Warsaw Pact armies invaded Czechoslovakia in August 1968, had provided more than 50 pages of written responses to questions and had met in Prague with the paper's deputy editor, Renzo Foa. L'Unita called the exchanges as the most complete expression of Mr. Dubcek's views to be made public since his overthrow. Mr. Dubcek, 66, expressed considerable sympathy and hope about the Soviet leadership but was less sanguine about the situation in his own country.

The "new course" was the program of political liberalization and economic changes initiated by Mr. Dubcek that came to be known as "socialism with a human face." A group of 43 Czechoslovak Communists involved in Mr. Dubcek's movement recently signed a statement also making a comparison between the "Prague Spring" and Mr. Gorbachev's program. Last week, the Czech Communist Party daily, Rude Pravo, dismissed the notion, and Tass, the Soviet press agency, did much the same. In L'Unita's interview, Mr. Dubcek said "a mechanical comparison" between his program and Mr. Gorbachev's could not be made, although "there are here and there similarities in the fundamental sources of inspiration — not an identity, but a notable resemblance which unites the ideas and the original concepts."

Tass reported Saturday that the man who presided over the liquidation of Mr. Dubcek's program, Gustav Husak, the former Czechoslovak leader, had received the Order of Lenin, the Soviet Union's highest state award. L'Unita did not say whether Mr. Dubcek had clearance from the state authorities to express his views publicly, although it said he had traveled in Prague from his home in Bratislava, a trip that would presumably require official approval. The same programs he tried to carry out in 1968, Mr. Dubcek said, "today could be the most practical way to overcome divisions in society and the party." But he said changes announced by the new Czechoslovak leader, Milos Jakes, "are words to be judged positively, but concrete acts will be decisive."



Alexander Dubcek, left, talking with Renzo Foa of L'Unita, the Italian daily, in Prague.

Saudi Calls Paintings In Marcos Case 'Cheap'

By Youssef M. Ibrahim
New York Times Service
PARIS — The Saudi businessman Adnan M. Khashoggi says that at least a third of 31 paintings that he bought from Ferdinand E. Marcos, former president of the Philippines, and his wife, Imelda, were reproductions of masterpieces and that several "cheap ones" were among those turned over to the United States by France. Mr. Khashoggi, who spoke in a telephone interview Saturday from Marbella, Spain, said the paintings were "not so valuable." "They are so-so paintings," he said. "Some are not authentic work. This was the testimony of experts who examined them. The whole collection is worth perhaps \$7 million."

sure" the nine paintings he turned over "are not worth more than \$2 million." "It's not what people think of as great works," he said. He also said he doubted that the French government had permitted the paintings to leave with the U.S. attorney general, Edwin Meese III, who was in Paris on Thursday to attend an Interpol meeting. Mr. Sallanic said it was "juridically impossible that any paintings seized by the government can be turned over to a third party." A U.S. official said Thursday that the paintings were "extremely valuable" and "by well-known names." A Philippine government spokesman said that some of the paintings were by "masters." Officials have said they believed that Mr. Khashoggi was holding works by such artists as Monet, Boucher, Pissarro, Rubens and Hals for the Marcoses. U.S. Justice Department officials said that nine of the 31 paintings had been turned over to Mr. Meese at the U.S. Embassy in Paris. There were reports that the works were flown to the United States on Mr. Meese's plane. The paintings are evidence in a criminal investigation of Mr. Marcos that is being conducted by the attorney general's office in New York. The U.S. interest in the case stems from a request of the federal court in New York, which has frozen the Marcos assets. The action was taken after the government in Manila filed a suit charging that the paintings were stolen property purchased by the Marcos family with public funds belonging to the Philippines.

The Trade War: Japan and U.S. Need Each Other

By Susan Chira
New York Times Service
TOKYO — In the high-stakes game of trade war, Japan's strong hand does not ensure victory. Americans have come to realize that Japanese hold powerful cards — their billion-dollar investments in U.S. stocks, bonds, real estate and factories. If the Japanese

strated, a collapse on Wall Street shakes markets in Tokyo, too. "Japanese are aware that if they use the leverage they have, it will backfire," said Masahiko Ishizuka, editor of the weekly English-language Japan Economic Journal and a writer on economic affairs. "Our power, after all, depends so much on America. If America is ruined, we will not be able to remain powerful on our own." It was only last week that Japan was granted one of its wishes — U.S. support to keep the dollar from falling further against the yen. For more than a year, Japanese officials had pleaded for relief as the yen rose higher and higher, cutting into Japanese exporters' profits and eventually forcing them to raise dollar prices, at least to some extent. The nation's central bank spent billions of dollars to try to prop up the dollar, to no avail. Japanese investors in U.S. government bonds, worried about potential losses when they converted

their dollar-based holdings back to yen, threatened to stop buying bonds. But their very threats often helped to weaken the dollar more, as currency traders anticipated that less demand for dollars would further lower their value against yen. Just by their considerable presence, however, Japanese investors make the American economy more dependent. The United States cannot ignore the links between its economy and Japan's. Mounting worldwide concern over U.S. budget deficits helped spark the Wall Street collapse in October. Continuing jitters over global stock markets, some Japanese believe, may now limit the U.S. ability to take sweeping protectionist measures. "The United States does realize if they lock the Japanese out, the stock market in Japan will be jolted and that will eventually hurt Wall Street," said Kazuo Nukazawa, director of international affairs at Keidanren, Japan's powerful big-business group. "My reading," he said, "is that

the United States is intervening in the foreign exchange market now simply because the further appreciation of the yen will jolt the Tokyo stock market, and that will hurt Wall Street, and that would eventually hurt Republicans in the election." Similar pressures may force the United States to cut the budget deficit, which Japanese believe swells the U.S. trade deficit. Although Americans blame Japan, Japanese economists say the United States is borrowing from Japan to keep its economy booming. An expanding economy encourages consumers to buy. They keep buying Japanese goods and the trade deficit increases. A Japanese Foreign Ministry official said Japan would be watching closely to see if the United States will really be able to cut its 1988 budget deficit by the \$33 billion promised in November. If not, there is a risk that stock prices could continue to fall as investors turn gloomy about prospects for the American economy.

From Geneva, a Candidate for the White House

By Mavis Guinard
Special to the Herald Tribune
GENEVA — When it comes to outside candidates, few are farther out than Andrew Sundberg. From his home in Geneva, Mr. Sundberg is running for the presidency of the United States. He hopes his campaign will draw attention to the problems of Americans abroad. "My campaign, even if limited in the overseas community, will be the first chance Americans abroad have ever had to express themselves in a sort of referendum," he said in an interview. In Washington, the Congressional Research Service said that a candidacy by an overseas American had never been tested in the Supreme Court but that the constitution seemed to present no obstacle. It states that a president must be at least 35 years old, have lived 14 years in the United States and must be "a natural born citizen." Mr. Sundberg, who fits those criteria, was chairman of the Democrats Abroad organization for four years and has represented it as a member of the Democratic National Committee since 1981. Democrats Abroad has the same status as the Democratic



Andrew Sundberg

Convention as a state party. Overseas Republicans have no such status. Registered Democrats overseas will receive two ballots in a postal primary, which will be counted on March 22, before the July convention in Atlanta. One will be to vote for 10 delegates in the convention who will either support a specific candidate or run uncommitted. The other is a vote for president, which is where Mr. Sundberg will appear on the ballot in direct competition with the other candidates. "No one imagined there could be a 'favorite son' from abroad,"

children are second-class citizens. I felt that unfair. "I also felt that our democratic system is good and responsive enough that if this unfairness was brought to the attention of the right people, the law would change." As campaign planks, Mr. Sundberg seeks: • To eliminate anomalies that can prevent certain Americans passing their citizenship to their children because of complications involving prior U.S. residency requirements, and to ensure that no child of an American ends up stateless. • To give overseas U.S. citizens representation in Congress. • To allow Americans overseas to participate voluntarily in Social Security. • To extend Medicare coverage for overseas citizens who have helped pay for it. • To return to a system of taxing Americans according to their residence rather than their citizenship to avoid double taxation. • To increase support to American schools and teachers abroad. • To provide greater protection against rapid fluctuations of the dollar for military personnel and their dependents while based overseas.

Cuba Raises Troop Strength in Angola to 40,000

By David B. Ottaway
Washington Post Service
WASHINGTON — A senior Cuban official has said Cuba now has 40,000 troops stationed in Angola, a figure higher than any U.S. intelligence estimate to date and one that seems to confirm reports of a new Cuban military buildup in the southern African nation. The figure is at least 3,000 more than the highest used by the Central Intelligence Agency and the Defense Intelligence Agency and 5,000 more than a Cuban defector, an air force general, said were pre-

sent in Angola early last summer. The Cuban buildup is apparently in response to recent Angolan government setbacks in its 12-year-old war with U.S.-armed rebels and increased South African military involvement in southern Angola. The two developments have led to a decision by the Cuban leader, Fidel Castro, to commit Cuban troops for the first time in an active role in Angola's effort to repel South African military incursions, according to Angolan sources. The expanded Cuban role comes as the Reagan administration is re-

newing efforts to persuade Angola to send the increasing Cuban contingent home and South Africa to grant independence to neighboring South-West Africa. Assistant Secretary of State Chester A. Crocker is scheduled to leave this month for negotiations with Angolan authorities in Luanda on these two issues. The Reagan administration has insisted that the Cuban troops leave before the United States will extend diplomatic recognition to the Marxist Angolan government. The figure of 40,000 Cuban

troops appeared last week in the Cuban magazine Bohemia, which reprinted an interview by a Swedish correspondent with Jorge Risquet Valdes-Saldana, a member of the Cuban Communist Party's ruling Political Bureau. Mr. Risquet dismissed an allegation by the former general, Rafael del Pino Diaz, who defected in June and has estimated Cuban war casualties in Angola at 10,000 dead and wounded since the Cuban troops arrived there in March 1975. Mr. Risquet said 1,000 Cubans have died but did not give a figure for the number of wounded.

WORLD BRIEFS

Philippine Mayoral Candidate Slain

MANILA (UPI) — Gunmen killed a mayoral candidate, and Communist rebels freed two kidnapped politicians Sunday as the Philippine campaign for local political offices entered its final week. Gunmen in central Cebu Province shot and killed Agustin Ominan, who became the 30th candidate slain in election-related violence since the campaign began Dec. 1. The two kidnapped politicians, who are associated with President Corason C. Aquino's ruling coalition, were freed unharmed by the rebels. They were Eduardo Rodriguez, a candidate for governor of Quezon Province, and his running mate, Robert Racelis. They were released after negotiations with military authorities.

Haiti Bars 8 Duvalierist Candidates

PORT-AU-PRINCE, Haiti (Combined Dispatches) — The government-appointed Electoral Council has announced that it will not allow eight former officials of the deposed Duvalier regime to run for president. The council also approved the candidacies of 11 presidential aspirants and disqualified three others. An electoral commission handicapped by the military-led government had been expected to include the eight in a list of presidential candidates for the voting on Jan. 17. The military was widely thought to have been putting pressure on the commission to include the Duvalierists. The commission's surprise announcement late Saturday was said to have shocked the Duvalierists. Haitians said they feared the dropping of the candidates might lead to another outburst of terror killings. Yonous Macoute militiamen led a day of such killings on Nov. 29 to disrupt the original presidential election. (AP Wirephoto)

Egypt Pledges Support to Gulf States

RIVADH (Reuters) — President Hosni Mubarak of Egypt discussed the Gulf War with senior U.S. and Saudi officials on Sunday and warned that Egypt would not tolerate an Iranian attack on Gulf Arab states. After arriving in Saudi Arabia at the start of a four-day mission to restore full diplomatic ties with Gulf states after a nine-year hiatus because of Egypt's peace treaty with Israel, Mr. Mubarak had separate talks with King Fahd and the visiting U.S. defense secretary, Frank C. Carlucci, on the U.S. naval presence in the Gulf and on ways to improve Gulf states' defenses. Mr. Mubarak, who later flew to Abu Dhabi, told King Fahd that Egypt was committed to the security of the six states of the Gulf Cooperation Council. A senior Egyptian official quoted Mr. Mubarak as saying the Cairo would implement a 1950 joint Arab defense pact if any Gulf state were attacked.

Study Criticizes U.S. N-Plant Security

NEW YORK (NYT) — A major study of the monitoring of radioactivity at U.S. nuclear power plants has concluded that better equipment and procedures are needed in the plants and in nearby areas to achieve safe operations and inspire public confidence. The nationwide study said the changes were needed despite improvements since the Three Mile Island reactor accident in 1979. The study was to be released Monday by the Three Mile Island Public Health Fund, a research organization established with money from a settlement with the owner of the plant. It called for some unusual steps, including requesting tissue samples from people living near nuclear plants, both while they are alive and in autopsies, to determine if there was evidence of radioactivity.

Bomb Kills 8 on Train Near Rangoon

RANGOON, Burma (Reuters) — A bomb exploded Sunday in a packed car on the Mandalay-Rangoon express train, killing eight persons and injuring 38, the official radio said. The radio blamed the Karen National Union, one of about a dozen insurgent groups that has been fighting the military-led government for 40 years. The officials said the bomb was placed under a wooden seat in the fourth car from the front. It blew up at 8:45 A.M. when the train had traveled a short distance from the suburban station of Pazundaung on the outskirts of Rangoon. It was the worst reported attack on civilians since 1985, when 60 people died after a mine blew up under a train.

TRAVEL UPDATE

Italian Strikes Hit Rail, Air Travel

ROME (AP) — Most Italian trains operated on schedule Sunday as a 24-hour strike by engineers failed to gain wide support, but air travelers were expected to face disruptions Monday. The state-run railroad said there was only "modest admission" to the walkout and that 90 percent of trains were on schedule, with only a few local runs canceled. The strike, scheduled to end at 2 P.M. Monday, was called to protest plans to reduce the number of engineers per train from two to one. Monday's strike by airport ground workers was expected to have a wider impact. Alitalia said that many flights to and from Rome and Milan airports would be canceled, although intercontinental flights would operate normally. Staff planned to walk out in Rome from 11 A.M. to 7 P.M. and in two stages in Milan: from 6 A.M. to 10 A.M. and from 1 P.M. to midnight. Spain will send an official to its border with Gibraltar this week to investigate ways of reducing delays that residents of the British colony have encountered in entering Spain. Foreign Minister Francisco Fernandez Ordóñez of Spain said Saturday. Thick fog covered Lisbon on Sunday, forcing planes that were scheduled to land there to fly instead to southern and northern Portuguese airports, the Lusa press agency reported. (UPI)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and dependencies this week because of national and religious holidays. MONDAY: Albania, Colombia, Iraq, Iran, Nepal, Puerto Rico. TUESDAY: Tanzania. WEDNESDAY: Togo. FRIDAY: India, Japan, Sri Lanka. SATURDAY: Benin. SUNDAY: China. Source: Murgun Guaranty Trust Co., Reuters.

Correction

An article in the Jan. 9-10 editions of the IHT said that a decision by The Economist of London to close its editorial office in Singapore was made after the government of Singapore cut the circulation of the Far Eastern Economic Review in December. The Economist says it decided in October to leave Singapore.

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FBI Is Asked to Probe For Fraud in Petitions Filed for Dole and Haig

By Peter Applehome
New York Times Service

HOUSTON — Republican officials in Texas have asked federal agencies to investigate charges that petitions filed for the state's presidential primary by two Republican candidates, Senator Bob Dole of Kansas and Alexander M. Haig Jr., contained numerous forgeries.

The request, sent to the Federal Bureau of Investigation and a U.S. attorney, was made after "The Dallas Morning News" reported that 100 checks with people whose names were on the petitions found more than 50 who said they had not signed them and did not plan to vote in the Republican primary.

One person whose name was on a petition had been dead since 1962, the newspaper reported, and some of the names of people listed as having circulated the petitions appeared to be fraudulent.

William E. Brock 3d, national chairman of the Dole campaign, said the reports of fraudulent names appeared to be true. He said the Dole campaign would be submitting to temporary workers hired by the Houston company, which was said to compile the petitions.

"To the best of our knowledge, there are more than enough legitimate names to qualify," Mr. Brock said. "We are outraged. We've been had, and no one likes to be had. We'll find out everything we can and take appropriate action."

Haig campaign officials also called for a full investigation.

Republican officials who requested the investigation Friday were wary of assessing how widespread the irregularities could be, but they did not discount the possibility that the candidates' names could be removed from the ballot if they did not contain the required 5,000 legal signatures.



Dan Battistel of Steubenville, Ohio, stocks up with water with help of his daughter, Erika, center, and Jodi Blair. Steubenville is one of the cities on the Ohio River coping with a major oil spill.

On the Ohio, the Oil Slick Rolls On In Wheeling, West Virginia, Major Problems Turn Up

By Cass Peterson
Washington Post Service

WHEELING, West Virginia — The intricate plans of the best-prepared city on the Ohio River drained away over the weekend as a pool of pollution oozed around the bend on its inexorable journey downstream.

Despite six days of feverish planning to provide a temporary water supply, Wheeling had less than a half-day's supply of water on Sunday. On Saturday, bus lines had been ordered to close.

"We're having a lot of problems," said the assistant city manager, Nancy Vagner. "We don't know how long we'll have water."

The smog with which this city of 60,000 had awaited the spill's arrival evaporated quickly. Instead, officials were involved in deploying water tankers, pleading with recalcitrant businesses and wondering how long the drought would last.

Residents lugged jugs and garbage cans to National Guard mobile tanks that had become as common as coal trucks in the Ohio Valley.

"I may never drink river water again," said Rena Breiding, who was helping her husband, Larry, distribute three trailer-loads of bottled water supplied by the Miller Brewing Co. "Even if the water comes back, I feel that the chemicals they're adding to it to clean it must be bad."

The bitter cold weather, a boon up river a week ago when it congealed the fuel and made it easier for skimming equipment in capture, has become a disadvantage. The river's flow is extremely slow under a thin coat of ice, and the cold keeps the oil suspended in fine drops.

Curt Ridenour of the Ohio Environmental Protection Agency said towns on the river would most likely have to take precautions for "several weeks, even months."

"Right now, the river is in a falling stage, so some oil is being left along the banks," he said. "When the river rises, some of that will be washed back into the river."

In nearby Steubenville, Ohio, residents complained that the water smelled foul and left greasy stains on porcelain.

In Panama, Celebration Over Rumor Noriega Fled

By Elaine Sciolino
New York Times Service

WASHINGTON — Congress has forestalled the State Department budget crisis for at least a year by quietly appropriating additional funding in the final days of its last session.

The little-noticed move gives \$60 million more to the State Department for salaries and operational expenses for this year, just enough to prevent a package of what had been described as the most dramatic budget cuts in the department's history.

The widely publicized budget-cutting plan has been shelved, at least temporarily. It would have eliminated 1,270 jobs, about 8 percent of the department's work force in Washington and around the world, and closed at least 13 embassies and consulates, among other measures. Other steps that are no longer under consideration are the elimination of 27 deputy assistant secretary jobs and of differential pay in hardship posts.

Senior State Department officials emphasized that the crisis was not over, merely delayed for a year, and that the department would have to face the same hard decisions next fall.

"It was like a carnival," said Rosario Arias Galindo, a resident of the business district, which has been the principal site of opposition demonstrations in the capital since civic unrest began in June.

"The street was packed with people for two blocks," she said, adding that the crowd spread into side streets and blocked traffic.

Residents of Panama City said that the police and soldiers had used tear gas, bird shot and rubber hoses to quell the celebrations. One witness said that she had seen four people being arrested.

The rumors that General Noriega had fled came one day after Reagan administration officials said the United States had applied quiet pressure on the Panamanian leader in an effort to get him to resign and permit free elections.

His general staff issued a statement signed by Chief of Staff Marcos Justines Fernandez and other staff members and read over national television.

It said that General Noriega and his family had left for a private visit to the Dominican Republic during the weekend, and that he "will return to attend to his official duties in his office Monday."

General Noriega is the head of the Panamanian armed forces and a spokesman for the head of the policy group refused to comment.

The reported action came in the form of a proposed recommendation to President Ronald Reagan that the government use federal funds to lease part of the small space station, which could be orbiting Earth as soon as 1991, whereas the NASA station would be ready by 1997 at the earliest. Private companies could also use it for a variety of industrial purposes.

The commercial venture, headed by Space Industries Inc. of Houston, would advance the administration's goal of promoting the nation's fledgling private space industry in the face of increasing international competition. A federal move to support the proposed station would guarantee a major customer, greatly increasing the chances of the plan's realization.

Dole Spars With Bush

David Hoffman of The Washington Post reported from Des Moines, Iowa.

Mr. Dole demanded Saturday that Vice President George Bush release all documents and evidence about his role in the Iran-contra affair, but Mr. Bush responded that Mr. Dole, the Senate minority leader, should "do a little homework" and read material already delivered to Congress.

The vice president demanded that Mr. Dole and others release financial disclosure reports and tax returns. Mr. Dole replied: "He's just trying to change the issue."

The two leading Republican candidates exchanged caustic remarks after Mr. Bush's charge at a Des Moines Register debate Friday night that he had been unfairly criticized in the newspaper for failing to answer questions about his role in the Iran-contra affair.

The vice president's statements at the debate, aimed at James P. Gannon, the debate moderator and editor of The Register, appeared to preempt criticism from most of the other Republican candidates. But Mr. Dole returned immediately to the issue Saturday morning.

"I will be sort of the ghost of Spiro Agnew coming into Iowa and taking on the press," Mr. Dole said, referring to the vice president who criticized media coverage of Richard Nixon's 1972 reelection campaign.

Mr. Dole also said Mr. Bush should make public "all data, all conversations" he had during the Iran-contra affair, except for his advice to President Ronald Reagan, which the vice president has refused to disclose.

"Why doesn't he release what we're all trying to find out about, the Iran-contra thing?" Mr. Dole asked. "He has made documents available to Congress, but the reports of the congressional committee investigating the affair said little evidence was found concerning his role."

Later Saturday, Mr. Bush repeated the approach he started Thursday, volunteering to take questions about his role. He said he would "be glad" to release the documents Mr. Dole mentioned but added that he thought "some of that is classified."

"Why didn't he ask that last night?" Mr. Bush asked, referring to Mr. Dole. The vice president said the Senate investigated the affair and Mr. Dole "has access to everything that's been provided in the Senate."

"I suggest he do a little homework," the vice president said. "I suggest he take a little time off from the campaign and read 'em. And if he has any specific questions, ask them."

U.S. Team Heads For Main Soviet Nuclear Test Site

The Associated Press

MOSCOW — A team of 20 U.S. government inspectors flew to Kazakhstan on Sunday for a tour of the Soviet Union's main nuclear test site, a visit that could lead to negotiation of two treaties limiting underground nuclear explosions.

The U.S. Embassy said that the delegation headed by Robert B. Barker, the chief delegate to negotiations on the treaties in Geneva, would be at the site for two days.

The visit to the test range near Semipalatinsk, the first by U.S. officials, will be followed by a Soviet tour of the U.S. nuclear test range in Nevada later this month. The Soviet tour will be led by Igor M. Palyenikh, Mr. Barker's Soviet counterpart in the talks.

The visits, agreed to during the Washington summit meeting in December, are aimed at working out reciprocal experiments on devices to monitor verification. The experiments are tentatively scheduled for April.

U.S. Court to Rule on French Claims For Amoco Cadiz Oil Spill in 1978

By Barry James
International Herald Tribune

An American judge is scheduled to deliver judgment Monday on damage claims arising out of the Amoco Cadiz disaster off the French coast in 1978, then the worst oil spill in history.

In April 1984, the Standard Oil Co. of Indiana and two subsidiaries, Amoco International Oil Co. and Amoco Transport Co., were found liable for damages "to the full extent" by U.S. District Judge Frank McGarr, of the northern district of Illinois.

A separate trial, followed closely in communities along the Brittany coast, was opened in April 1986 to determine the amount of damages. It ends with Judge McGarr's decision in Chicago.

The French government, two provincial administrations in Brittany, 76 coastal towns and villages, oyster growers, fishermen, hotel owners, a ferry company and various other private interests have filed claims totaling more than \$750 million.

The claims were filed in Illinois because it is the home state of the Amoco Corp., formerly the Standard Oil Company.

The 233,000-ton Liberian-registered supertanker hit rocks off the Brittany town of Portolau on March 17, 1978, and broke in two after losing its steering in a gale. The ship was carrying more than 220,000 metric tons of Arabian crude oil, much of which washed up along a 120-mile (190-kilometer) stretch of coastline in northwestern France.

Judge McGarr ruled in 1984 that Amoco and its subsidiaries were negligent in the design, repair and maintenance of the tanker and liable for damages in full. He also ruled that they were entitled to seek damages from the Spanish builder of the tanker, Astilleros Espanoles S.A.

The Amoco Cadiz disaster was eclipsed by oil well blowouts in the Gulf of Mexico and the Gulf in 1979 and 1981, which each spilled about 600,000 metric tons of crude oil. Two tankers collided off Trinidad and Tobago in 1979, spilling 300,000 tons. But the Amoco Cadiz spill holds the record for the extent of environmental damage caused.

Reagan Advisers Support Alternative Space Station

New York Times Service

NEW YORK — A White House policy group has agreed in principle that the government should back a private plan for construction of a small, inexpensive space station that would fly into orbit years ahead of NASA's multi-billion-dollar space outpost, according to federal officials.

The National Aeronautics and Space Administration, which views the proposal as a serious threat to its space station plans, denied that an agreement had been reached. A spokesman for the head of the policy group refused to comment.

The reported action came in the form of a proposed recommendation to President Ronald Reagan that the government use federal funds to lease part of the small space station, which could be orbiting Earth as soon as 1991, whereas the NASA station would be ready by 1997 at the earliest. Private companies could also use it for a variety of industrial purposes.

The commercial venture, headed by Space Industries Inc. of Houston, would advance the administration's goal of promoting the nation's fledgling private space industry in the face of increasing international competition. A federal move to support the proposed station would guarantee a major customer, greatly increasing the chances of the plan's realization.

AMERICAN TOPICS

Taxpayers Soaked For Turning the Tide

As ocean levels rise along all major American coasts — Atlantic and Pacific, Gulf of Mexico and Great Lakes — American taxpayers find themselves hauling out those who build too close to eroding shorelines, the Los Angeles Times reports.

The National Academy of Sciences says the Earth's atmosphere is warming with the burning of fossil fuels, melting polar ice faster, with higher temperatures expanding the ocean. The seas are expected to rise between two and five feet (60 to 150 centimeters) during the next 100 years, twice to five times the rate during the past century.

Meanwhile, people whose buildings fall into the sea can get federal flood insurance. Before this happens, they often persuade local communities to restore beaches, a temporary palliative, or build sea walls, which actually hasten shoreline erosion.

The medium-income person, as a taxpayer, is subsidizing the second home of the rich, says Jim Tins of the U.S. Environmental Protection Agency. Various state regulations already bar construction too close to shore, and federal measures are being considered.

Retreat from the shoreline may be the best policy, said Raymond Sturza, town planner for Kill Devil Hills, North Carolina, but "more often than not, those affected adversely by retreat are the community's most elite, wealthy and influential members."

U.S. No Longer Considers Libya a Threat

By Elaine Sciolino
New York Times Service

WASHINGTON — The Reagan administration believes that the government of Colonel Muammar Gadhafi of Libya has been so weakened by a series of setbacks over the last year that it no longer poses a serious threat to its neighbors in the Mediterranean region, according to White House and State Department officials.

They say that, as a result, U.S. policy now puts less emphasis on confrontational measures, like the bombing of Libya 21 months ago, that were intended to intimidate Colonel Gadhafi or even to encourage his overthrow. Instead, the policy seeks to limit his influence by continuing to isolate him politically and economically in the region, these officials say.

"There's been a natural evolution of our policy," said one White House official. "If one characterizes our earlier policy as one of active destabilization, one could say we're now trying to further isolate him."

Another official put it more bluntly. "We finally decided we cannot remove the man from the outside by military means," he said. "Our policy is now where it should be."

White House and State Department officials who follow developments in Libya attribute the change in attitude partly to the success of the U.S. bombing raids in 1986 in curbing Colonel Gadhafi's promotion of international terrorism.

The United States has never acknowledged that the ultimate aim of the bombing raids was to overthrow the Libyan leader, but senior White House and State Department officials said at the time that it would have been fortuitous if Colonel Gadhafi had been killed in the raids. Now they are willing to accept the status quo.

"We believe that Gadhafi never again will be able to restore his credibility and that time is on our side," said one State Department official. "Our policy is now geared to having him in place for a long time, but in a weakened state."

The officials acknowledge that personnel changes in policy-making positions in Washington have made it easier to promote the steady isolation of Colonel Gadhafi, rather than direct confrontation. These include the replacement of William J. Casey, who died last year, as director of central intelligence, and the departure of Rear Admiral John M. Poindexter, the former national security adviser, and Lieutenant Colonel Oliver L. North, the National Security Council's deputy director for political-military affairs.

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If Buses Can Do It, Why Can't Airlines?

Although the Federal Aviation Administration says airlines should limit the number of carry-on bags brought aboard by passengers, the Washington Post says in an editorial that "unless and until airlines can (a) produce passengers' checked luggage quickly at their destinations and (b) not keep scheduling passengers on seconds-to-make, so-called connecting flights for which they have no reasonable chance at all of having their luggage make the transfer, they're not likely to get much cooperation with any new carry-on limits."

"Maybe they should adopt the old Greyhound system — let passengers flip their bags into the underbelly of the plane before they board and pick them off at the other end. At least that might be one way for an airline to cut your losses until it can get its baggage-checking act in order."

—ARTHUR HIGBEE

Berlin Names Bombing Suspect

The Associated Press

BERLIN — The authorities are looking for a West Berlin woman suspected of planting the bomb in a dishepoteque in the city that killed two U.S. soldiers and a Turkish woman and injured 229 people in April 1984, a West Berlin official said Sunday.

Blaming Libya for the attack, at La Belle discotheque, the United States bombed the cities of Tripoli and Benghazi 10 days later in retaliation against the Libyan leader, Colonel Muammar Gadhafi.

West Berlin government sources said that the suspect, Christina Gabriele Endrigkeit, a 27-year-old German born in West Berlin, is believed to have planted the device on behalf of two convicted Palestinian terrorists. The West Berlin Justice Department spokesman said that an arrest warrant for her had been issued.

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
ACCOUNT EXECUTIVES		Suenden (U.K.) Ltd.
MANAGER		IFAD.
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ANALYST PROGRAMMER		IFAD.
COMPUTER OPERATIONS & USER SUPPORT OFFICER		IFAD.
PRESIDENT & GENERAL MANAGER	Excellent	Multinational, publicly traded pharmaceutical corporation.
RESPONSIBLE		ALLIA - Groupe Lafarge Coppée.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neuilly Cedex, France. Tel: (1) 46.37.93.BT. Telex: 613595

Notes About People

The evangelist Billy Graham says he is weary of the world's "iniquities and ready to move on to heaven. But he no longer talks about retiring. 'I've quit that because I feel so good.' Mr. Graham, 69, has a heavy schedule of preaching forays for the coming year, including another visit to the Soviet Union. Even so, "I'll be glad when the

INTERNATIONAL **Herald Tribune**

Published With The New York Times and The Washington Post

Help Gorbachev?

The Soviet economy stagnates and it is clear that Mikhail Gorbachev is willing to undo half a century of Stalinist central planning to get it moving again. What is not clear is whether a successful fix would serve American interests. A fatter Soviet bear might be friendlier, more peaceable, more concerned with putting a microwave in every kitchen than with pursuing dreams of world hegemony. On the other hand, a fatter bear might be stronger, more arrogant, more capable of pursuing empire. No one, not even Mr. Gorbachev, really knows how the Soviet political system will react to economic change.

possible that hard-nosed Americans are correct and an economically successful Soviet Union would look more like 19th century imperial Germany, with Mr. Gorbachev cast as Bismarck. In this vision, once the post-federal, ethnically unassimilated country builds the economic machinery to compete with the West, it will try to distract from its internal contradictions with dangerous foreign adventures.

In truth, there is no way to predict how economic revitalization would influence Soviet politics. What reasonable basis is there, then, for deciding how to answer Mr. Gorbachev's invitation to closer economic ties?

The question is made easier because no one is proposing revolutionary changes. America is not about to offer precious high-tech assets like supercomputers. The Russians are not about to mortgage their economic future to the good will of foreigners by buying or borrowing heavily in the West. Communism like trade, loans, joint ventures and technology licensing will, by mutual agreement, be modest and reversible.

Thus, as a practical matter, Western influence on Soviet development will be marginal. That affords the West the cheap luxury of giving Mr. Gorbachev the benefit of the doubt. The United States can afford to assist as long as economic change appears to lead to general improvement in respect for human rights and constructive attitudes on arms control and foreign policy.

Specific linkages probably do not make sense. The carrots that the West can offer simply are not big enough to induce change. The Russians are not likely to withdraw tanks from Eastern Europe in exchange for better tariff treatment for their manufactured exports. But the warmth of the economic relationship could still be modulated in tune with the political relationship.

It is possible that high hopes will be dashed. That Mr. Gorbachev's reforms will fail, or will succeed without inducing a political thaw. If so, the West will have paid no great price for a bad bet. Support for a losing cause might even serve Western interests by giving politically stressed Soviet leaders less excuse for paranoia. There might also be a happier result: more goods, more growth, more freedom—even the stirring of a democratic impulse. And that, however distant and however unlikely, is a goal that America should be pleased to advance.

—THE NEW YORK TIMES.

Let Withdrawal Begin

The talk is that the Soviet Union is ready to cut its losses and pull out of Afghanistan this year without waiting to set up a government in which the place of local Communists would be ensured. Good. Let the withdrawal begin. Up to now the Soviets have stated a determination to create a "coalition" and to promote "national reconciliation" among warring Afghans before departing. These euphemisms for ensuring a place for local Communists have been a mask for staying on. If the Kremlin has dropped the mask and is prepared to leave its clients in Kabul to contend for what power they can earn with their own resources, termination of the Soviet invasion is within sight, although the war of the Afghans may go on longer. A certain equation is made between Soviet support of one set of Afghans and American support of another, and on this basis some people expect the United States to conduct a matching cutoff of aid to the resistance. But the basis for a cutoff should be a Soviet withdrawal that makes moot the purpose—repelling an invasion—for which aid is rendered. Practically speaking, aid should taper off as withdrawal progresses. The American purpose is not to harass or further humiliate the departing Soviets but to make sure they do not change

their mind. As we note, Afghans may have scores to settle among themselves. Both sides have stockpiled weapons against the day when Soviet troops leave and American and other foreign aid ends. How they use those weapons may not be much influenced by outsiders' exhortations to peace.

Something basic needs to be better understood here. Afghanistan is a Soviet-American "regional dispute" in the sense that it is in a region and is in dispute between the great powers, but it is not a regional dispute in the sense that the Soviet Union has a right to claim for its proxies some share of the power. The Kremlin was wrong to invade Afghanistan eight bloody years ago, and it has no right to demand any particular internal result. If fairness were the measure of these things, Afghans would have a right to demand far-reaching internal changes in the Soviet Union to prevent another invasion.

The Soviet Union says it does not seek a pro-Soviet regime and asks the United States to say it does not seek a pro-American regime. This is fine. The "free, non-aligned and neutral" Afghanistan that Moscow says it wants is what Washington wants. The way to get from here to there is for Soviet troops to withdraw.

—THE WASHINGTON POST.

Messages to Namphy

The short answer is: No, there will be no repetition in Haiti of the quick, effective military intervention by which the United States set Grenada back on the democratic path. It is an option that has come to the minds of a lot of people, in the Caribbean and elsewhere, including many who criticized Grenada I. Nothing else promises quick or even not-so-quick relief from the further misery and violence that hang over Haiti. But there is neither the regional treaty and appeal nor the legitimate national appeal for the United States nor the geopolitical rationale that supported the Grenada intervention. Nor is there a military force of the Haitian opposition ready to be launched into a battle of liberation.

17, others were not. The idea of passing collective judgment on one another's elections does not have many takers. Haiti's neighbors are left attempting to draw General Namphy into the inevitable "dialogue" in which, theoretically, he would come under pressure to adopt their democratic ways.

This will seem to many people a remote hope and a trick upon the long-suffering people of Haiti. Something firmer is needed—not Grenada II, perhaps, but something more than "dialogue." Economic sanctions? There the possibilities of persuasion of the leadership must be measured against the extra privation that could be imposed on the population. It is this consideration that inclines Washington to limit its sanctions to the ones it has already declared against the government. These are not insubstantial: all military aid and most economic aid has been cut off, and only aid targeted directly on welfare for the poor still flows. And certainly the United States cannot consider lifting these sanctions if the elections are run in the expected Namphy style. But other states—say, Caribbean neighbors including Venezuela (Haiti's oil supplier), and even Canada and France—have their own openings to get a message through to this heir to the brutal Duvalier legacy.

—THE WASHINGTON POST.

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Western Europe: The Alternative to a Big Austria

By Pierre Lellouche

PARIS — Europe is at a crossroads. In the next two or three years the Europeans will have to decide what course they choose among two options now on the table. The first option is the tempting "soft" path proposed by Mikhail Gorbachev. After the INF treaty would come elimination of all remaining U.S. and Soviet tactical nuclear arms — the so-called triple-zero option — combined with deep cuts in U.S. and Soviet troop presence in Europe. The Warsaw Pact proposals tabled last June mention reduction by half a million men on each side — more than the whole 325,000-member U.S. contingent in Europe.

Before embarking on the soft option, Europeans should ask what kind of Europe they aim for. For one, do not believe that Europe ought to become a kind of vast Austria, dominated by a neutral but economically superior Germany. That would be buying Soviet benevolence through massive transfers of capital and technology to the Soviet empire — all under the shadow of the Red Army, of course.

The second option could ensure peace and stability in Europe, while preserving the long-term chances for reunification not just of the two Germanys but of the two parts of Europe. The agenda ahead consists of rebuilding a coherent political-military strategy capable of deterring the Soviets from any military temptations while restoring a strong security consensus in the West European public.

Agreeing among themselves on the proper mix between nuclear and conventional forces before further negotiations with the Soviets is an urgent task for the Western democracies today, along with building a strong European pillar within the alliance. Twenty years ago the Atlantic alliance came up with the political and military guidelines it needed at the time thanks to the Harmel report, named for a Belgian foreign minister. Today a Harmel II exercise is more needed than ever to restore consensus among Western democracies. Failing to act at this point, and thus continuing to leave the initiative to Mr. Gorbachev, would condemn NATO to slow but certain unraveling, and Europe to a very uncertain fate.

International Herald Tribune.

The catch here is that down the line these various arms control deals would fundamentally reshape the political-territorial order in Europe. The two alliances would be gone. France and Britain, with their nuclear arsenals, would be marginalized. West Germany would be neutralized and probably offered some kind of federative arrangement with the Communist German Democratic Republic — which the Soviets, of course, have no intention of letting go.

In the Federal Republic, gradual reshaping of the European map by "demiterritorialization of East-West relations" has become the unspoken but quite evident objective of many "détente" and arms control advocates.

Restore the political and military legitimacy of nuclear deterrence. This will not happen by keeping just short-range tactical weapons that can kill Europeans without hurting the Russians. Thus, current Pentagon plans providing for the introduction of modernized short-range missiles without remedying the long-range gap issue

are out of the question politically. The way out of that box will be to rely on remaining long-range U.S. aircraft (the F-111) and on European aircraft carrying French- and British-made nuclear missiles capable of reaching deep into Warsaw Pact territory, including Soviet territory. European nuclear forces would receive a much greater deterrent role. Planning and conditions for the release of such weapons could be further Europeanized by the creation of an autonomous European Nuclear Planning Group working alongside NATO.

India: Neither Yes nor No to a Nuclear Deterrent

By S. Nihal Singh

NEW DELHI — The U.S.-Soviet agreement on intermediate-range missiles has been welcomed by Indian leaders and newspapers as truly historic. Nevertheless, an undercurrent of anxiety exists in the Indian establishment regarding its implications for New Delhi's nuclear policy. Taken together with a bill approved last month by the Appropriations Committee of the U.S. Senate (but subsequently dropped) equating the nuclear policies of India and Pakistan, the INF treaty accentuates an Indian dilemma. The fact is that the contradiction in India's nuclear policy has become more acute, and until India resolves it by either going for the bomb or forswearing it, its position will become increasingly awkward.

India's argument is that its nuclear program is open and peaceful while Pakistan's is clandestine and military-oriented. Despite American cooperation with Pakistan's devotion to making the bomb, Islamabad's contention has always had appeal in Washington: Let India and Pakistan agree to sign the nonproliferation treaty, or else let both agree to joint international inspection of nuclear facilities.

India is on strong ground in arguing that to conceive of nuclear-free zones on a subregional basis is nonsense. America, for strategic reasons, has persistently failed to take into account the implications of the Chinese nuclear capability for India. The INF agreement is a nagging reminder that Washington and Moscow want India to sign the nonproliferation treaty. India opposes it as discrimination in favor of present nuclear powers whose resolve to seek nuclear disarmament is tenuous.

India occupies an important place in the nonproliferation policies of the superpowers because it is the only guest member of the nuclear club. The first, and so far only, Indian nuclear explosion, at Pokharan in the Rajasthan desert in 1974, brought an intensification of the nuclear powers' efforts to deny the non-nuclear countries material and facilities to make the bomb. Since the actual making of the bomb is a relatively simple matter, this denial was coupled with political penalties.

The East Wind Brings Sweden and Norway a Visitor

By John C. Ausland

OSLO — Since there are so few of them and they live in the shadow of their Soviet neighbors, Swedes and Norwegians are extremely sensitive to the winds blowing from the East. The Gorbachev style and the Washington summit have again raised their hopes. Nevertheless, there remain some sizable obstacles to the friendly relations with the Soviet Union that most of them long for.

The prospects for increased trade will be discussed in both capitals. Soviet trade with Norway has recently been increasing, but trade with Sweden has been negligible. Mr. Ryzhkov's proposal to increase trade with Sweden will include a pitch for the Swedes to import Soviet gas. This offer will not fall on deaf ears. The Swedes aim to end their dependence on nuclear energy, which now produces half of their electricity.

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Nothing basic will change, however. Even if the boundary question is settled, the Carlsberg government will find it increasingly difficult to maintain harmonious relations with Moscow if the Swedish navy issues further reports of Soviet submarine activity. And the Brandtland government in Oslo will continue to balance Norway's dependence on U.S. military power with its hope that Mr. Gorbachev has decided to end the Cold War.

International Herald Tribune.

Apartheid: An Exercise In Tyranny

By Anthony Lewis

NEW YORK — For all that outsiders have learned about South Africa in recent years, they remain largely unfamiliar with the mechanisms of white control. How does a government that represents a small minority of the population actually exercise totalitarian dominion over the vast majority?

An exceptional insight into the techniques is now available. It is a report by the Lawyers Committee for Human Rights on what it rightly calls "a tragedy of extraordinary dimensions": the destruction of four black communities at the squatter location of Crossroads, near Cape Town. The four communities were burned to the ground in May and June 1986. Residents who tried to protect their homes were assaulted and shot. Fifty-three were killed and 70,000 were left homeless.

Even by South African standards it was an event of exceptional savagery. Yet the world has paid it little attention, and the South African government has largely escaped responsibility. The episode has been treated as an example of "black-on-black violence." President Reagan said at the time: "It is blacks fighting against blacks because there is still a tribal situation involved there in that community."

What happened is that officials of the white government encouraged factionalism at Crossroads. They supported a group of right-wing vigilantes in attacks on opponents of apartheid. They armed the vigilantes, gave them money, and gave them weapons on hand. When the vigilantes attacked and burned the four communities.

All that is documented in the report in chilling detail. Legal organizations in South Africa collected hundreds of statements from residents, doctors and other witnesses. They provide overwhelming evidence that policemen and soldiers supported the vigilantes and were themselves involved in burning and killing.

Many witnesses described both the vigilantes and the police as using an incendiary weapon that shot what looked like a grenade at the Crossroads shacks. "When it landed it would explode and there would be flames," one sworn statement said. Armored cars were in and around the shantytowns while they were destroyed. One man described how he was attacked by five vigilantes with axes and clubs. He ran to a nearby armored car for help. When he reached it, "Four white men in blue uniforms knocked me to the ground and started kicking me."

One of the confusing things about South Africa is that it has courts and an independent press — institutions that Western democracies rely on to prevent abuse of government power. Why do they not work in South Africa? Again, the Lawyers Committee report is informative.

After the first round of destruction in May 1986, residents in one Crossroads community that still existed went to court. The Legal Resources Centre, a public interest organization, produced massive evidence of official participation in the destruction. The court, convinced, enjoined the army and the police from assisting, encouraging, or allowing, an attack on the remaining community.

What happened? The court order was simply ignored. Two weeks later the last of the four communities was destroyed. And, the report finds, "the participation of the security forces was even more blatant."

The police and the army did their best to keep the press from seeing attacks. Journalists were brutally attacked. A cameraman, George DeAld, died of injuries from a vigilante attack. A colleague charged that the police failed to help him promptly as he lay bleeding before them. And the Crossroads events were before the real crackdown on the press. Present emergency regulations forbid journalists even to be present at any violence.

Crossroads is a particularly telling example of the human realities of apartheid. Black families put up their pathetic little shacks there in the first place because the rules of apartheid barred them from legal residences in the whole Cape Town area, which was the only place they could find work.

The government wanted urgently to remove the Crossroads settlement, because it was such a visible symbol of racism's cost. But too many people were watching for a direct assault by bulldozers. The solution was to act through the vigilantes — and deny any part in the brutality.

The vigilantes have now been given official status. Their leader has authority in Crossroads. It is a new form of old pattern of governance in South Africa: divide and rule.

The New York Times.

100, 75 AND 50 YEARS AGO

1888: London Befogged

LONDON — One of the most dense fogs experienced for years hung over London and the suburbs today [Jan. 10]. All traffic on the river was suspended and trains everywhere were delayed. All street lamps were lighted during the day; cabs crawled about with their lanterns burning. A man was found dead in the River Lea, near Clapton. He had walked in to the river during the dense fog.

1913: Editorial Quoted

ROME — Great interest has been aroused here by the editorial in today's [Jan. 10] Herald on the one way of permanently settling the question of the Aegean Archipelago. The editorial was reproduced in full this evening by the "Tribuna" under the title "A Proposal to the Point." With the following comment: "The admirable proposal of the Herald was doubtless dictated by an impartial review of the situation, and by equal friendship for

Italy and Greece." Signor Fera, leader of the Radical party, said: "The Herald is right. The Aegean islands ought to be freed from Turkish bondage, but their fate is a purely national question, and I do not see how it can be settled without the intervention of the Great Powers."

1938: Ludlow Defeated

WASHINGTON — Mustering available forces, including two representatives in wheel chairs, the Administration today [Jan. 10] succeeded in defeating the Ludlow vote referendum resolution in the House by a vote of 209 to 188. A letter from President William B. Bankhead, a short time before the vote, is considered to have been the decisive factor in defeating the proposal by Louis Ludlow (Dem., Indiana) to submit to the states a Constitutional amendment which would require a popular referendum before the United States could enter a foreign war.

Handwritten signature: J. P. ...

Opposition Accepts Call By Chun for Unity Talks

Compiled by Our Staff From Dispatches
SEOUL — President Chun Doo Hwan of South Korea and opposition leaders have agreed to hold talks to discuss national reconciliation.

The chief presidential secretary, Kim Yoon Whan, said Mr. Chun's meetings with Kim Young Sam, Kim Dae Jung and Kim Jong Pil were expected to be held this week. The talks, proposed by Mr. Chun, were scheduled to be held separately with each of the opposition leaders.

On Friday, representatives of the governing Democratic Justice Party and the three opposition parties resumed talks for the first time since the Dec. 16 presidential election. The opposition has asserted that the governing party's candidate, Roh Tae Woo, fraudulently won the election.

The presidential secretary said Mr. Chun wanted a frank exchange of views with the three Kims before stepping down on Feb. 25. The proposed high-level talks could be a significant signal that the opposition might be ready to end years of confrontation with the government and resolve its bitter dispute over the election.

Opposition spokesmen said the early release of political prisoners and the restoration of their civil rights and other democratic reforms should be taken up when the opposition leaders meet with Mr. Chun.

Mr. Roh earlier proposed meetings with the three Kims to seek national reconciliation while trying to defuse tension over the opposition's charges of election fraud.

The opposition so far has failed to present concrete evidence to substantiate the fraud charges, and there has been little public response to their calls for massive retaliation.

Mr. Roh won the election with 36.6 percent of the vote. Kim Young Sam finished second with 25 percent and Kim Dae Jung finished third with 27 percent. Many opposition supporters blamed Kim Young Sam and Kim Dae Jung for splitting the opposition support by failing to put up a unified front.

In the final days of his seven-year term, Mr. Chun has begun to reveal some of his thoughts on power, democracy and preparations for life outside the Blue House, South Korea's official residence.

In an interview published in the major newspapers, Mr. Chun described himself as a patient man who refrained from using force to quell social unrest, and as a misunderstood ruler who was angered when opponents continued to challenge his legitimacy after he decided to step down.

In answering a question on his resolve to leave office at midnight on Feb. 24, Mr. Chun revealed that he had come to understand in the final days of his rule why President Park Chung Hee clung to power for 18 years before he was assassinated in 1979.

"I often wondered how he could hold such a painful job for so long," Mr. Chun said. "Last year, I got a hint for the first time why he did so."

He added, "I thought that the people would highly appreciate my transfer of power, although I have some demerits in the execution of state affairs. But the situation turned against my expectations."

Mr. Chun said, "As my commitment to depart after ending a single-term office has become a reality, attacks on me have even more intensified. Frankly speaking, in face of such a situation, one would hardly feel like readily giving up power from anger."

"In a country like ours," he said, "it requires a lot more courage to give up power than to grab it."

Mr. Chun, a former four-star general, also said he "had to exert much patience. There were many crises which should have led to mobilization of troops in the past."

"What I hate most is to use force," he said. "If one tries to solve problems through use of force in running a nation it will bring many adverse effects."

The question of Mr. Chun's legitimacy as a ruler has plagued him since Dec. 12, 1979, when, with backing from General Roh, he staged a coup and began his rise to the presidency. (AP, UPI, Reuters)



Red Cross medics taking one of the Iranian hunger-striker to a hospital on Sunday.

Paris Hunger Strike Turns 'Critical'

By Barry James International Herald Tribune

PARIS — Forty Iranian demonstrators entered the sixth week of a hunger strike here Monday to seek the return of 12 compatriots expelled by France to Gabon, and doctors warned that several had reached a "critical threshold."

Ambulances took nine of the hunger strikers to Red Cross hospitals on Sunday, bringing to 14 the number of Iranians hospitalized.

The conditions of the hunger strikers were not immediately known. Those expelled to Libreville, Gabon, on Dec. 8, most of whom have formal refugee status in France, are also staging hunger strikes, as are some Iranian dissidents in Washington and London.

A medical committee, members of which have been examining the hunger strikers daily, issued a warning that the condition of some of the Iranians "has now reached a critical threshold and gives rise to fears of irreversible accidents in the days to come."

The protesters, who have subsisted on sweetened water and tea since their action began, say that they will starve themselves to death unless the French government readmits the Iranians.

The Iranians were expelled shortly after France concluded a diplomatic agreement with Iran. After the agreement was reached, two Frenchmen held by Iranian-backed militias in Beirut were released, leaving three still hostage.

REPORT: Panel Sees Need for Smaller Nuclear Arms

(Continued from Page 1)

enough for conventional warheads to provide the same long-range capabilities as nuclear weapons do now. Strongly anti-isolationist, the report calls for the United States to pursue high-technology advantages in nuclear and conventional weapons and to develop special forces to defend friendly Third World regimes and help overthrow Communist ones.

The report says that the Western alliance has overemphasized the threat of an all-out war with the Soviet Union in the form of a massive conventional assault in Europe or of a doomsday nuclear war — contingencies that the report calls "the most apocalyptic and least likely conflicts."

Already the report is proving controversial. Plans to explain it in a news conference televised to U.S. embassies Tuesday were canceled after Secretary of State George P. Shultz objected that U.S. allies might be offended.

The report seems likely to simultaneously reassure and irritate many current policy-makers in the United States, Western Europe and the Pacific.

Key findings include: • The United States will depend on nuclear weapons as the primary basis of deterrence for the foreseeable future. This finding runs counter to Mr. Reagan's emphasis on finding ways to eliminate nuclear arms.

• Possession of high-precision nuclear and conventional missiles by the superpowers (and soon by other nations) means that small nuclear warheads are likely to be used in warfare because they would not cause massive damage. This view challenges the view in West Germany, France and other European countries that nuclear weapons should only be used as a catastrophe last resort.

• U.S. defenses depend heavily on U.S. ability to counteract any enemy U.S. anti-missile defenses, including the space-based Strategic Defense Initiative, must be paired with new long-range offensive missiles. The U.S. role in NATO must include plans for Western thrusts deep into Eastern European territory. U.S. counter-surgery help to allies must be complemented by U.S. assistance to anti-Communist insurgents of the sort provided by the Reagan administration in Afghanistan and Nicaragua.

This overall strategy will antagonize opponents of SDI, critics of U.S. plans to expand its military intervention in so-called "low-intensity wars" and West Germans and other Europeans who are uneasy with the idea that NATO should make plans for offensive action, even in self-defense, against the Warsaw Pact.

• The United States needs a major overhaul of its military satellite program in space to ensure effective communications in wartime. "In any kind of conventional

conflict — including the hypothetical war in Europe that the Pentagon spends more than half its budget preparing for — we would probably start losing satellites and the Soviet Union would probably be able to increase theirs," Mr. Ikle said.

• A growing "access gap" for U.S. forces to allied staging bases is highlighted. Soviet forces, the report says, have moved closer to likely areas of conflict while U.S. forces are losing well-located facilities.

"The shared risk-taking of letting U.S. or British forces stage through Spain or the Philippines or France is at least as important as the financial burden-sharing that we talk about so much in the alliance," Mr. Ikle said.

• The United States should emphasize weapons that have a special advantage over the Soviet Union and may be able to nullify major Soviet defense investments. This echoes the philosophy of another new Pentagon study, entitled "Competitive Strategy," that recommends concentrating defense spending in areas such as high technology where the United States has a competitive edge.

For example, radar-eluding aircraft, incorporating Stealth technology, could "render obsolete" the Soviet Union's air defenses, the report says. As a corollary, the United States should not try to match the Soviet arsenal of heavy land-based missiles because of the U.S. domestic political difficulties of finding missile sites.

• Arms-control agreements should reflect the West's defensive needs, not just "engage Soviet leaders in a process" expected to reduce tensions generally.

BAN: No Pact Foreseen

(Continued from Page 1)

ed States believed that verification of a chemical-arms accord was very challenging and that a foolproof system required considerable additional work.

"It is an extremely difficult inspection regime," a U.S. official said. "Given all the problems," he said, it seems unlikely that the accord can be concluded this year.

A Western diplomat said that Mr. Genscher had "gone out on a limb" with his comments, and he predicted that Washington would not back down. "Genscher is going to run into a brick wall on this one," the diplomat said.

Mr. Genscher said he considered the issue "quite important" and planned to raise it with Secretary of State George P. Shultz in talks in Washington on Jan. 21. A Bonn Foreign Ministry official said.

The Soviet foreign minister, Eduard A. Shevardnadze, seemed to remove one of the major disputes in a speech in Geneva in August, when he accepted the principle that the need for inspectors to have the right to visit sites where a country believed that a rival might be storing or producing chemical weapons in violation of the treaty.

Since then, however, the Russians have been "paranoiac" on questions such as how much access inspectors would have, a U.S. official said.

Delays in a chemical-weapons treaty are particularly unwelcome among the West European allies. They have said the planned scrapping of intermediate-range missiles under the U.S.-Soviet treaty signed Dec. 8 makes it even more important to achieve progress on eliminating chemical weapons.

ISRAEL: Gaza Strip Is Starting to Take On Some of the Look of Lebanon

(Continued from Page 1)

number of people killed in the unrest, which has entered its second month. The Israeli cabinet, meanwhile, endorsed Defense Minister Yitzhak Rabin's "iron fist" policy, which has drawn wide criticism.

Doctors said Toukan Mubassab, 35, died at Shifa Hospital in Gaza after being shot at his shop in the Shajaiye district, where protesters

hurned tires and stoned Israeli soldiers and vehicles. The army said it was checking the report. Earlier, the army said Ismail Halil Abu Loui, 53, shot four weeks ago in Rafah on the Egyptian border, died of his wounds Saturday.

Military officials said the army moved another infantry brigade into the Gaza Strip. Mr. Rabin, after touring the area

by helicopter, said: "We need time and patience to adjust the number of our own forces and our methods of action in the circumstances. It is not a matter of a day or two, so don't stand there with a stop watch."

He added, "The residents had better get back to normal life because the longer this goes on, they will be the first to suffer."

SUMMIT: Gorbachev Renews Bid to Meet With Deng

(Continued from Page 1)

cow's curiosity about economic and political changes in China. "We are greatly interested in reforms of the economic mechanism and political system currently under way in the People's Republic of China."

Under Mr. Gorbachev, the Soviet Union has begun a series of steps, similar to those in China, aimed at reducing central control over the economy and government interference in the lives of citizens.

The timing of the interview, conducted in Moscow the last week in December, may be linked in part to Mr. Gorbachev's efforts to resolve the conflict in Afghanistan.

China, which has provided aid to Afghan guerrillas, is likely to play a role in ending the war. Mr. Gorbachev may have felt that a renewed call for improved relations with Beijing was advised before resuming diplomatic efforts to resolve the conflict.

Eduard A. Shevardnadze, the Soviet foreign minister, visited Af-

ghanistan last week as Moscow appeared to move toward winding down its involvement there.

Mr. Gorbachev has often used interviews with foreign news organizations to launch diplomatic initiatives or to signal heightened Soviet interest in a particular relationship or part of the world.

The interview in Liaojiang suggested that, following his visit to Washington in December, Mr. Gorbachev was ready to turn his attention toward improving ties with China.

American Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like IBM, GE, etc.

Chicago Exchange Options

Table with columns for Option & price, Calls, Puts, and various stock symbols like IBM, GE, etc.

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PERSONAL INVESTING

FOCUS

Painful Lessons In Privatizing

How They Fared

Saint Gobain	+34%
Paribas	-21%
CGE	-26%
Societe Generale	-27%
Suez	-15%
Havas	-18%

AS across Catherine Deneuve and Prime Minister Jacques Chirac are learning, privatization can be a very risky business. Miss Deneuve, one of France's premiere film stars, received her lesson last fall, after she had appeared in television commercials on behalf of Compagnie Financiere de Suez, charming 1.6 million French investors into buying shares in the government's 11th privatization effort. Two days later, Black Monday arrived around the world's stock markets. As a result, when Suez stock eventually began trading three weeks later, investors, who had paid 317 francs per share, were suddenly facing an opening price of 261 francs, an 18 percent paper loss.

Cartoonists had a field day. One depicted Miss Deneuve, all bruised and battered, exclaiming in reference to the advertising campaign theme, "I said you should think about Suez, not that you should buy it!"

Mr. Chirac finds himself in a similar position as a result of last fall's market plunge, except that the stakes in his case are much higher — the presidency. Since becoming prime minister in April 1986, Mr. Chirac has made privatization the backbone of his government's economic liberalization policy. The program was to be the shining success Mr. Chirac could point to in his bid for the presidency in May.

But most of those new investors in the stock market are likely regretting their purchases and, some analysts believe, could also carry some of that bitterness to the polls. By year-end only four of the 11 stocks were still showing appreciation over their issue prices. An investor who bought the maximum allotment of shares in each privatization would have suffered a loss of 1.915 francs, or 9.5 percent.

Analysts believe this fact will stand in the way of any additional significant privatizations, at least until after elections. Meanwhile, the outlook for the 11 stocks already in the public's hands is mixed.

Suzanna Hardy, an analyst with James Capel & Co. in London, says Saint-Gobain, the first company to be privatized in December 1986, will also do well in 1987. She predicted that earnings per share for the glass and building materials group this year will hit 60 francs, versus 54 for 1987 and 28.7 francs in 1986. Saint-Gobain stock finished the year at 415.5 francs, 34 percent above its initial offering price, but still 20 percent below its 1987 high.

Analysts also expected media stocks Havas and TFI to outperform the market. Bertrand Coste, a media analyst with Phillips & Drew, says Havas, the advertising and media brokerage group, would be protected in the event of a recession. He said it would also continue to profit from the success of Canal Plus, the pay-TV station in which it has a 25 percent stake.

Mr. Coste projects 1988 earnings for Havas of 31.7 francs, against 27 francs last year and 20.9 francs in 1986.

TFI, France's top TV station, is profiting from the failure of another new private station, La Cinq, to garner its projected audience. As a result, Paris broker Cholet Dupont expects TFI's advertising revenues this year to hit 3.8 billion francs, 600 million francs more than originally estimated.

The broker's analysts project earnings for TFI this year of 3 francs, rising to 3.8 francs in 1989 and 12 francs in 1990.

Analysts are pessimistic about the outlook for privatized companies in the financial sector, particularly Paribas, Societe Generale and Suez.

CGE, one of the worst performers of the privatized stocks in 1987 with a 26 percent decline from its initial price, could also have a rough time in 1988, as foreign investors have widely abandoned it. Ms. Hardy projects the electrical and publishing group will have 1988 earnings of 28.2 francs, up from 23.9 francs in 1987 and no earnings in 1986.

Although individual shareholders, for the most part, have not sold their investments in the privatized companies, a question mark remains over how long they will hold out. Some analysts expect a flood of selling later this year, after investors receive free shares that the government promised to investors who held on to their stock for 18 months. The first free shares will be awarded in July for original subscribers to Saint-Gobain, followed by Paribas and Sogefal.

Jacques Neher

New York's Apartment Market Gets the Jitters

In London, ripples from the crash are surprisingly absent.

By Marybeth Nibley

London

THE BRITISH have a word for it — gawping. The term applies when the seller of an apartment or home, after agreeing to a sale, entertains and accepts another, higher offer.

Gawping has grown common during London's real estate boom as sellers make the most of a hot market. But after October's debacle on the stock exchange, buyers may see less of such tactics, real estate agents say.

"There's no doubt with the stock market crash the property market has suffered — if only through nervousness," commented Nick Adams at the Chelsea office of Jackson-Stops & Staff.

But while the game may be tipping a bit in the buyer's favor, there are few signs that the rise in prices for prime apartments is slowing. Property in exclusive areas, such as those clustered near Hyde Park like Belgravia, Knightsbridge or Mayfair, probably will sell easily at increasingly higher prices, estate agents say. Sales may be more difficult in slightly less desirable neighborhoods.

In fact, observers seem almost puzzled that the property market has done as well as it has. Tim Walker, deputy chairman of the Henderson Unit Trust Management Ltd., who guides the Prime Residential Fund, says: "It's very difficult to crystal-ball gaze in this particular market. To a degree, it's going to be affected by the level of confidence generally, but the ripple effect has been far less than anyone has anticipated."

London's historic role as an international business center helps prop the market even in uncertain times. But more importantly, accommodation in London seems cheap by Tokyo or Manhattan standards. Helping out in recent months has been a decline in interest rates.

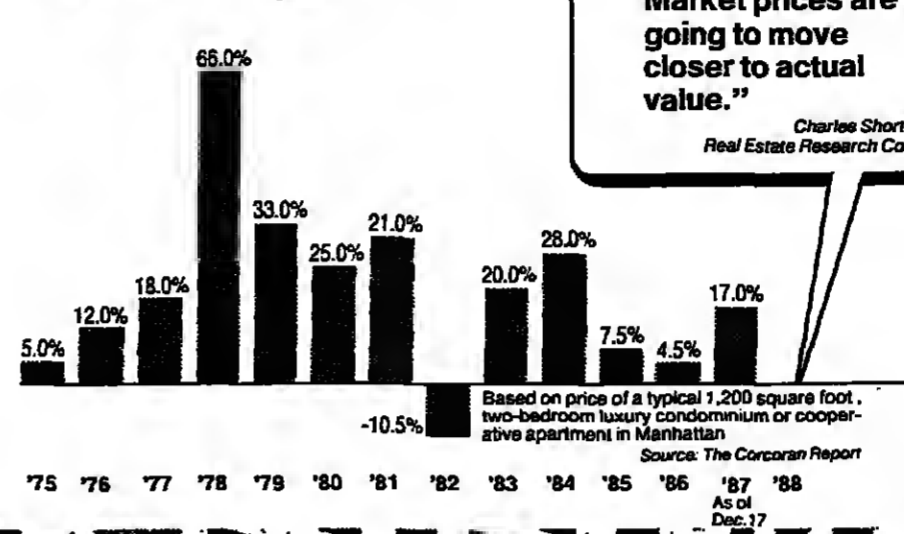
One area that has provoked concern is the Docklands, an 8 1/2-square-mile (22-square-kilometer) area that in many parts resembles a vast building site.

"It's popular right now to knock the docks," says Kevin Ryan, director of Harrod's estate offices. Critics contend the Docklands contain an abundance of residential properties that may become a burdensome glut if speculative interest dies out.

Docklands developments have attracted speculators who have bought in ahead of completion on the

Continued On Page 8

Annual Appreciation Of Manhattan Apartments



"Market prices are going to move closer to actual value."

Charles Shorter, Real Estate Research Corp.

Based on price of a typical 1,200 square foot, two-bedroom luxury condominium or cooperative apartment in Manhattan

Source: The Corcoran Report



Developer Bruce Eichner sees a shortage in some housing sectors by 1989.

The Associated Press/WideWorld

Financial sector layoffs undermine buyers' confidence.

By Leslie Whitaker

New York

ONLY A WEEK and a half after Franklin Speiser, director of residential sales of Sulzberger-Roffe, sold a \$480,000 two-bedroom condominium on Manhattan's East Side to a "quintessential yuppie couple," they called him with disturbing news.

The young professionals, both employed in the financial services industry, said they had to sell the home they had purchased in December. Unsure of the future, they felt it was time to raise cash.

Mr. Speiser's clients are typical of the highly paid Wall Street employees who were courted by New York's real estate developers during the last few years. Most of the units constructed in the last two or three years were designed specifically for individuals benefiting from the securities boom. Often, they were smaller units outfitted with amenities such as skytop lounges and health clubs.

The Oct. 19 stock market debacle shook investors in most markets, and real estate was no exception. As securities firms suffer the aftermath of the stock market's historic plunge — with thousands stripped of year-end bonuses and jobs — their financial misfortune jeopardizes the demand for the luxury residences that have crowded Manhattan's skyline.

Even the market for apartments fetching seven-figure prices has been affected, though to a far lesser extent. "Eight months ago, I sold a \$6.5 million apartment on Fifth Avenue at the full asking price in a week," says Gayle Morgan, an independent real estate consultant. "Today, I could get pretty close to the asking price, but it would take a month or two."

For most of last year, brokers were celebrating. Prices were climbing faster than they had in 1986; commissions were high. But the 508-point plunge in the Dow Jones Industrial Average sent a sudden chill through the real estate market.

In Manhattan, where property transactions are traditionally sluggish from Thanksgiving through January, they slowed to a crawl. The sales volume of luxury condominiums was off by 40 percent from a year earlier during the last two weeks of October, and down 30 percent in November, according to a study done by the Corcoran Realty Group.

"Those in the process of looking all stood still," says Barbara Corcoran. "It was less a loss in portfolio than a lack of confidence on the buyers' part."

How long the prevailing mood will last is uncertain.

Continued On Page 8

Keeping an Eye On the Insiders

By Cynthia Catterson

New York

LAST YEAR, it dominated headlines and cocktail party banter, and even inspired a major motion picture. Yet, to many analysts and money managers, insider trading is hardly the kind of topic that justifies sensationalism.

Market watchers have been monitoring insider transactions for years in the belief that certain moves made by corporate officers can be both a barometer of market sentiment and a useful tool in predicting the future of individual companies. And it is perfectly legal.

Unlike illegal insider trading, where insiders are prohibited from profiting from nonpublic information about specific deals, contracts and negotiations, the Securities and Exchange Commission permits corporate officers, directors or anyone who owns at least 10 percent of a company to act on general information about their company.

In turn, insiders must report their transactions by the 10th of the month following the trade. The information is then made public by the SEC. More-

over, insiders must hold their shares for at least six months and they are forbidden to profit from price declines by selling short.

Although professionals cannot guarantee that following insider moves will always lead to profit, a number of academic studies at such institutions as Yale, the University of Pennsylvania and the Massachusetts Institute of Technology indicate that stocks bought by insiders have outperformed the market. And those that have been sold have underperformed it.

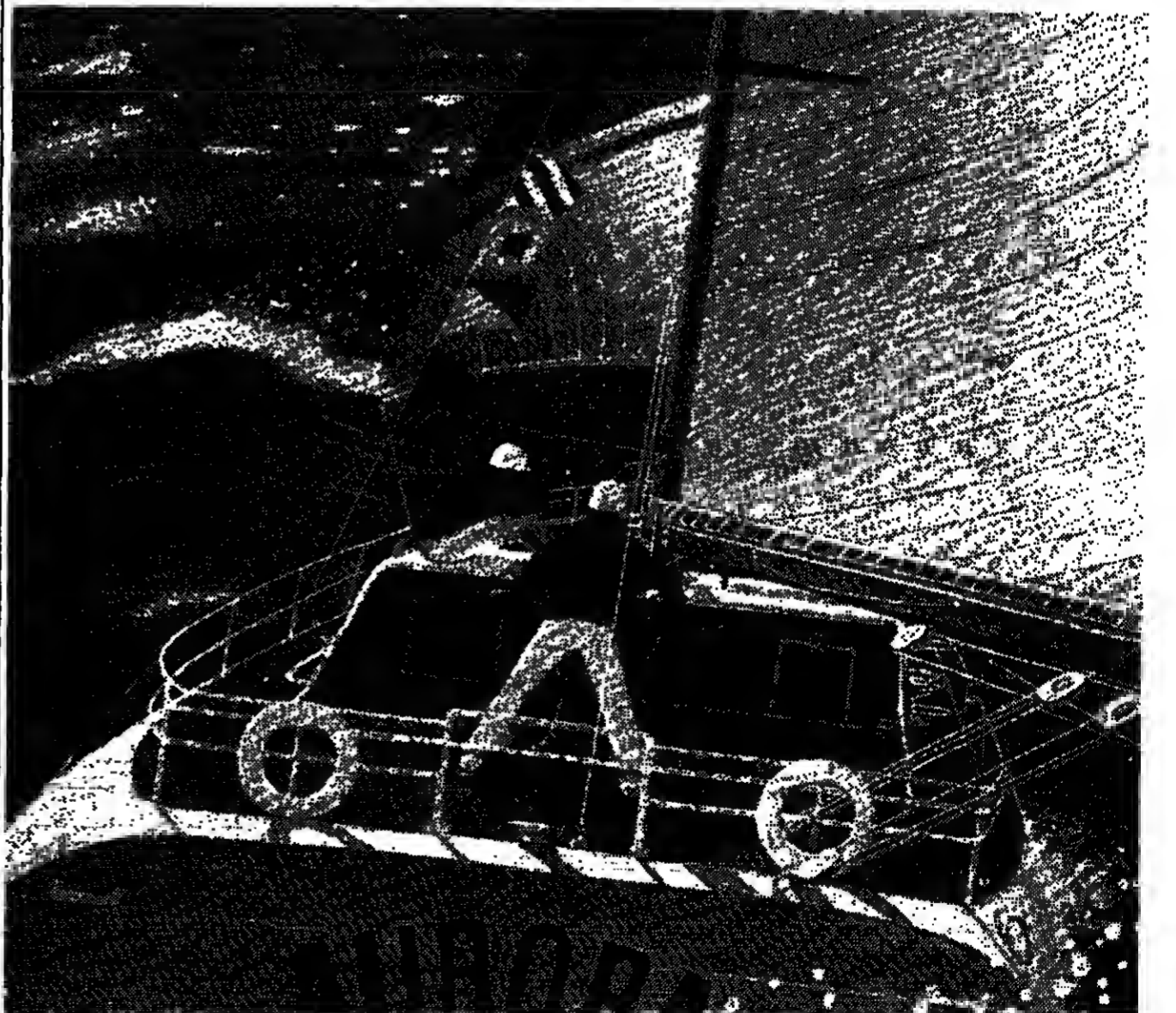
Other university studies have concluded that investors who follow the actions of insiders can outperform the market by anywhere from 3 percent to 30 percent.

Edwin Buck, editor of Vickers Weekly Insider Report, a newsletter based in Brookside, New Jersey, believes there is no better expert on any one company than those who run it. Corporate officers, he says, take into account price-earnings multiples, interest rates, balance sheets and then distill these factors. "Collectively, there is no reason why they can't be the best forecasters," Mr. Buck contends.

In 1986, for example, he watched

Continued On Page 8

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UPDATE

Currency Funds

INVESTORS who keep score in dollars did well in 1987 to put their cash in some other currency. One measure of how well is the performance of offshore currency funds, which are essentially money market funds denominated in various currencies. The funds offer a comparatively easy way for investors to speculate on foreign exchange moves.

Offshore currency funds whose assets are in yen returned an average 30.7 percent in dollar terms last year, according to figures compiled by Lipper Analytical Services. Deutsche mark-denominated currency funds returned 23.8 percent, and sterling funds were up 28.5 percent. By way of comparison, the return on three-month U.S. Treasury bills in 1987 was a scant 6 percent.

But even the most committed dollar pessimists say that the U.S. currency is probably around its lows after its December slump, and many have increased their dollar exposure. A year ago, Guinness Flight's managed currency fund, which tries to exploit foreign-exchange shifts to maximize its share value, had virtually no dollar exposure. Now the fund allocates 25 percent of its assets to the dollar, 20 percent to the mark, 10 percent to sterling and 45 percent to the yen.

"Since the middle of the summer of last year, we felt that to adopt such an extreme position was no longer entirely appropriate," says Phillip Saunders of Guinness Flight. "We still face some unpleasant problems with dollar adjustment, but quite a lot is discounted."



Charles Waller

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REAL ESTATE

New York Apartments: The Market Stumbles

Continued From Page 7

Economists are still debating the likelihood of a U.S. recession this year. A major concern is interest rates, which may face upward pressure if the dollar continues to drop. Currently, mortgage rates are holding steady at about 11 percent, up 1.5 points since last year.

Not surprisingly, investors, who by some estimates have accounted for as much as 40 percent of condominium purchases in Manhattan in recent years, have been reluctant to commit themselves.

Many experts are hoping that the worst is over and that prices will stabilize. Ms. Corcoran believes residential real estate prices will continue to appreciate at about the same rate in the first quarter as they did last year.

Other market experts are less sanguine. Lloyd Lynford, president of Reis Reports, a New York-based real estate market research firm, predicts that Manhattan will lose 50,000 jobs through layoffs in financial services and related industries this year. "That can't be good for demand," he says.

Moreover, analysts point to the 18,000 units that came on the market last year, a surge in supply that could postpone a significant recovery until 1989 or even 1990.

A few analysts even are fearful of a drop in residential real estate prices in New York. The last time this occurred was in 1982, when there was an average 10.5 percent price decline brought on by a surge in interest rates.

Charles Shorter, senior vice president of the Real Estate Research Corp., notes that Manhattan real estate averaged a 12 percent annual appreciation during the last five years. "It is superheated. That's going to stop," he says. "Market prices are going to move closer to actual value."

Not surprisingly, a number of experts believe the

turnout in the apartment market may spell opportunity for investors. Ms. Morgan, the real estate consultant, notes that there is great hesitancy among buyers looking for an apartment below \$1 million and that could affect prices. "For the next year or two, there are probably some good buys out there," she says.

Of course, price gains will vary according to location. Many analysts still believe that the Upper West Side stretching from the 70s to the 90s offers the best price potential. Likewise, Union Square is considered attractive as it experiences "gentrification."

But some experts worry that the previously chic areas of Lower Manhattan may experience some difficulties because of the setbacks on Wall Street. So far, however, the 4,000 units of Battery Park City, near the Wall Street area and the new World Financial Center, seem to be selling well.

Experts agree that the residential real estate market in New York will gradually recover after 1988. And the supply of available apartments should decline.

Construction contracts retracted to \$832 million in 1986 and \$854 million last year. Buyers currently can choose from about 4,000 apartments in 75 new buildings. But only 2,000 new condominiums are expected to enter the market for each of the next three years, according to Mr. Shorter. In light of Manhattan's 2 percent vacancy rate, "that's very little new product indeed," he says.

Bruce Eichner, a developer whose 353-unit condominium, the Boulevard, at 86th and Broadway, will be put on the market early this year, notes that his project is the only new building on Broadway, a popular West Side location.

"The choices are relatively thin," says Mr. Eichner, who worries that construction has slowed so much that "we are facing a shortage of housing in the middle price condo and rental market in the third quarter of 1988 or beginning of 1989."

Analysts note that there is already a shortage of prime properties, pre-war two-bedroom or larger apartments with appealing architectural details, solid walls and fireplaces. "They have a semblance of stability and soundness, and continue to appreciate at a high rate," says Mr. Speiser.

Investors should also be heartened by a strengthening of the rental income is a critical consideration for nonresident buyers.

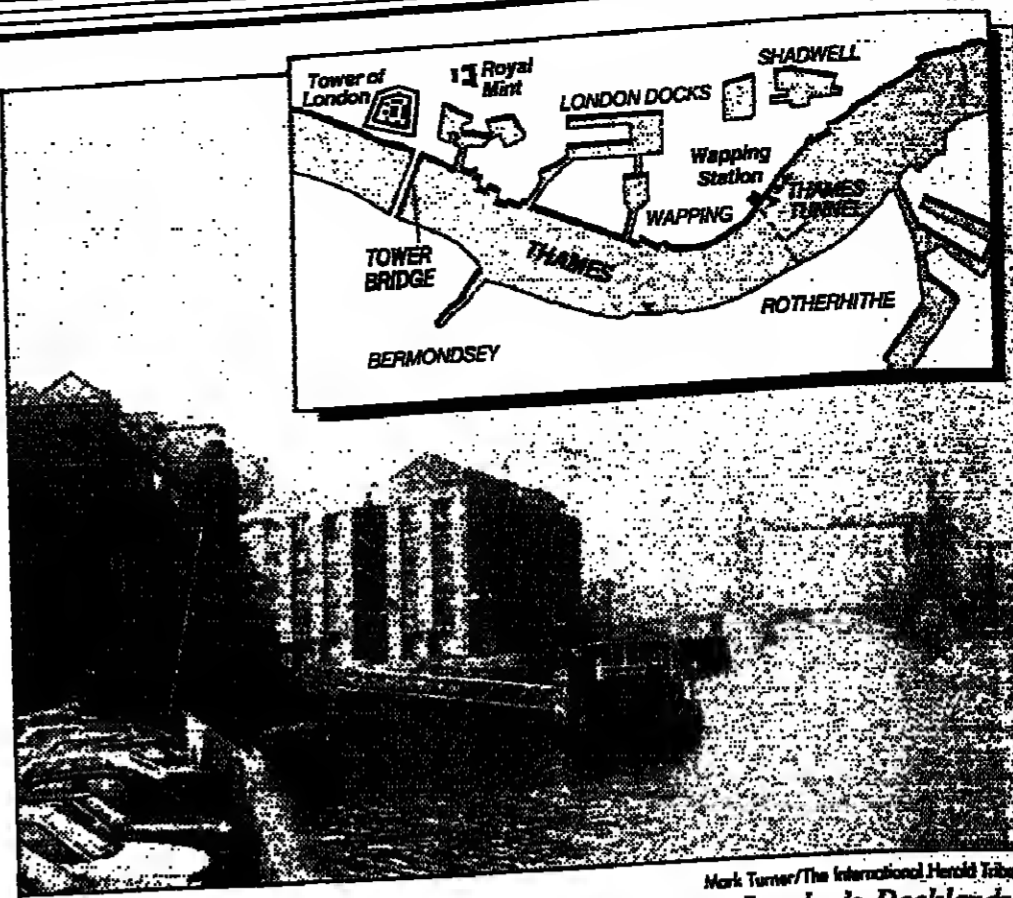
"People are opting back to renting until the economy takes a more definitive direction," says Russell Newman, vice president of S.J. Landau, developer of the Vogue, a luxury rental building that opened 16 months ago. The Vogue, which has 320 apartments, is 97 percent rented. And other rental projects are in the works.

The steep decline in the dollar has already convinced many foreigners to re-enter the market. "We've had great success in the past month or so selling to foreigners," says David Bates, senior vice president for Sotheby's International Real Estate.

In particular, he says, the Japanese, who have been conspicuous consumers in the commercial market, have also been big buyers of residential real estate in New York.

And the number of brokers and developers courting foreign buyers is growing. Mr. Eichner, the developer, says he has already made several marketing excursions to Europe and Asia.

The Sunshine Group, which markets 30 East 85th, the most expensive building in Manhattan, with prices as high as \$1,800 a square foot, plans to open satellite offices in Geneva, London and a Far Eastern city by year's end.



Looking toward Tower Bridge from a development in London's Docklands.

London: The Ripples Are Few

Continued From Page 7

assumption that the resale value will give them a tidy profit. The size of this "turnover market" is hard to gauge.

Ironically, one of the highly touted features of the Docklands, its proximity to the City of London financial district, may be a factor in its vulnerability in the wake of the stock market slump. Although its importance to the Docklands is undoubtedly exaggerated, young, single people working in banking, brokerage or other City professions are considered a vital element in the pool of potential buyers.

Estimates that as many as 50,000 city jobs may disappear due to the crash have not gone unnoticed. Prime Docklands sites, particularly close to the river and higher priced, are being marketed as two-bedroom, two-bathroom flats with modern conveniences and a river view was listed in a recent estate magazine for £250,000.

Stephen Krause, with Clapshaw's estate agency in the Docklands, says such a property could realistically command that price. But further afield, agents may find themselves needing to hone their selling techniques and developers may have to accept slightly less than they thought they would.

"It's not going to be the nasty approach anymore — we're the agents, you come to us," Mr. Krause says. "The agents will have to bring people in. It's going to be a very difficult year."

Dominic Grace, of the Saville estate agency, says the Docklands had become a frenzied, overheated market with properties being "traded almost like sacks of potatoes."

"From now on, more natural and normal forces will be operating," he says.

His firm, like others, has experienced some withdrawals. "It was inevitable that, with the stock market crash, some people weren't as rich as they thought they were. Some deals have fallen out of bed or had to be renegotiated," Mr. Grace reports. But the number

of these withdrawals has been negligible, estate agents say.

The resilience of the real estate market, not unfounded professional optimism, has kept the United Kingdom, however, from being hit as hard as the United States, with dwellings costing in some cases more than six times average earnings.

Barry Bissett, housing statistics manager at Nationwide Anglia building society, says that, in the judgment of mortgage lenders, a more reasonable relationship between housing price and income is 3 to 3½ times.

At the Halifax building society, research manager Ian Lumsden says there is no sign that first-time buyers, who would be most apt to feel the income pinch, are being priced out of the market. First-timers are believed to be pooling resources or relying on inherited funds to meet down payments.

Mr. Lumsden says Halifax, the biggest British mortgage lender, had expected a moderation in 1987 house price rises, but it did not occur to any significant extent. In Greater London, the prices of houses and flats rose 23 percent in the fourth quarter of 1987 from the corresponding 1986 quarter, compared with a 25 percent rise the previous year.

According to the agents, the preferred flats are ones with at least two bedrooms and two bathrooms with a relatively long lease in a fashionable location. For those, buyers should expect to start at £250,000.

The term of a leasehold depends on some extent on the neighborhood. A term of 50 years on a Mayfair property may be considered long, whereas in Kensington, a 75-year leasehold would be deemed by sufficient duration to warrant a considerable sale, estate agents say.

At the end of a lease, the property reverts to the owner of the freehold, perhaps a wealthy family of charity, unless an extension has been negotiated. The vast majority of London property is leasehold and the rest is held "in perpetuity" by the owner of a freehold.

Co-op Vs. Condo

Roughly 80 percent of Manhattan's apartment market is made up of "cooperatives." Those who buy into a co-op own shares in the building rather than an apartment, with the number of shares determined by the value of an individual's apartment.

Co-ops cannot be resold or rented without the approval of a board that is elected by shareholders. There are no such residency restrictions when it comes to condominiums. As a result, co-ops are considered less liquid and generally less expensive than condos.

Co-ops, however, frequently require large down payments, sometimes as high as 50 percent or more of the purchase price. Because of the limits on financing, experts say co-ops have been affected less by the aftershocks of the stock market crash. Strict financial requirements limit their purchase to well-established buyers.

But some co-op boards, which must approve apartment buyers, have become more discriminating since the crash. "The negative psychology has affected boards," says Marilyn Kaya, president of M.L. Kaye, a luxury apartment broker. "We have seen more turnouts at the upper end."

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Taking Cues From Company Insiders

Continued From Page 7

closely when a total of 14,400 shares were purchased by seven top-ranking managers of Black and Decker, including the president, Nolan D. Archibald.

The future of the electrical appliance giant looked bleak back then, says Mr. Buck. The company was undergoing costly streamlining efforts and was having trouble digesting its acquisition of the kitchen appliances division of General Electric. Management was being restructured and the still strong dollar was hurting the company, which has 50 percent of its business in exports.

Encouraged by insiders' confidence, Mr. Buck recommended the stock in October 1986, when it was at \$16.13 a share, and two weeks later at \$17.38. The stock went as high as \$26.50 last August. At current levels of about \$15, the price range where insiders bought last year, Mr. Buck is once again heavily recommending this stock.

"They have resolved all their problems of last year, and the dollar is weak," says Mr. Buck.

Insider purchases traditionally have been considered more reliable signals than insider selling, observers say. An insider can sell for a number of personal reasons. But Paul Simmonds, director of research at the Institute of Econometric Research in Fort Lauderdale, Florida, which publishes The Insiders, says insiders buy for only one reason: "They believe they can make a profit."

In the past, the ratio of insider sales to purchases typically was about 2 to 1. However, the market crash in October set the stage for unprecedented buying. Since the crash, analysts report the ratio reversed to as high as 11 to 1 in favor of buying. Nowadays, the ratio averages about four buys for every sale.

"Insiders saw their stocks knocked down, even though business is good and profits are rising, so they took advantage of bargains," says Herb Messing, publisher of The Insiders Chronicle, a newsletter based in Boca Raton, Florida.

For optimists, the insider shopping spree translates into a bullish outlook for the market, but some warn that investors must monitor this activity with a discerning eye. Just because there is insider buying does not mean the company is a bargain.

"I take the buying as a vote of confidence but we have to wait a bit for the dust to settle and get a more normal-looking market after the first of the year," says William Mehlin, editor at The Insiders Chronicle.

Barry Unterbrink, editor and president of Consensus of Insiders, a Fort Lauderdale-based weekly newsletter, has remained wary since October. Before the crash, he had been recommending that portfolios have 50 percent invested in insider-supported stocks. He has since reduced his position to 15 percent.

Other insider experts feel less cautious. "You only have a crash once in a lifetime, take advantage of it," says Mr. Buck at Vickers.

Experts warn that insider selling can be a misleading indicator because officers frequently sell blocks of stock for personal reasons not related to company performance. In addition, generous options plans at many of the large, blue-chip companies often result in frequent selling transactions among officers, he says.

Still, selling can portend bad news such as poor earnings, slackening sales or delayed

Five to Watch

The Dec. 11 issue of the "The Insiders" newsletter gave five companies its highest rating of 10 and recommended two for purchase. Ratings are based on several factors, including how many officers are buying or selling, how many shares are bought and sold, and the position held in the company by the trading officer.



William Jovanovich

Harcourt Brace Jovanovich Inc.

Between Sept. 23 and Oct. 28, a total of 1.13 million shares were purchased by officers of this diversified publisher. Chairman William Jovanovich bought 515,000 shares at about \$8.75 to \$9 each on Oct. 16. There were no sellers during this period. The stock, an "Insiders" recommendation, was selling for \$7 on Dec. 31.

Dayton-Hudson Corp.

Between Oct. 18 and 26, 12 directors and vice presidents purchased 25,100 shares in this retailer, the other "Insiders" recommendation. Director Howard H. Kehrl bought 10,000 of those shares at \$29.50 on Oct. 21, increasing his holdings to 10,800 shares. There were no sellers during this period. The stock traded at \$27.83 on Dec. 31.

Reliance Group

Six officers of this insurer purchased a total of 116,100 shares during October. The most significant buyer was Irving Schneider, a director who bought 38,400 shares at \$5 to \$6.38 each. Bruce L. Sokoloff, a vice president, bought 5,000 shares on Oct. 2, when the stock was at \$9.38, and 1,200 shares on Oct. 30 at \$6.50 each. There were no sellers during this period. The stock was selling for \$5.75 on Dec. 31.

Air Wisconsin Service

A total 23,100 shares were purchased between Oct. 21 and Oct. 29 by eight officials of this regional airline. Chairman Arthur G. Halland Jr. bought 6,000 shares on Oct. 28, increasing his holdings to 118,000 shares. Two other officials sold shares during this period. The Dec. 31 stock price was \$9.75.

Shearson Lehman

Five insiders of this major brokerage and investment firm bought a total of 22,400 shares between Oct. 21 and Nov. 10. Chairman Peter A. Cohen bought 15,000 shares at about \$15.38 to \$16.63 each. The other four buyers were directors in the firm, which recently acquired E.F. Hutton. There were no sellers. The Dec. 31 stock price was \$17.

takeover talks, especially when the selling is unusually heavy and done over a short period of time.

"If three or four officers are selling 40 to 50 percent of their holdings in the company within a two-month period of time, they know something serious is going on," Mr. Unterbrink says. "Those kind of moves are a good warning sign."

A classic example, he says, occurred in the summer of 1986, when a dozen directors and vice presidents at the retail chain Zayre Corp. began selling large blocks of shares when the stock was in the \$80 range and again, after a 2-for-1 split, at \$38 to \$40. The stock subsequently slumped to about \$21 per share in October following poor third-quarter earnings.

Not everyone is convinced that the road to riches follows insiders moves. Skeptics argue

that the lag time between the insider trading and the published SEC reports can be as long as six weeks and that stock prices change long before investors have a chance to act on the information. Moreover, even insider enthusiasts lament the SEC's failure to enforce filing deadlines.

And, insiders can be wrong. Insiders gave no indication that they saw the crash of October coming. According to Mr. Simmonds at the Institute of Econometric Research, buyers accounted for 48 percent of all inside trades for the 30-day period before the crash.

Few newsletters recommend a stock based on the insider actions alone. Rather, they analyze the transactions along with other fundamentals that could affect the company. However, the insider move is given the primary point of reference.



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BOURSES

Assessing the Damage at U.S. Brokerages

Few believe these stocks have seen their lows.

By David C. Lanchner

IT WAS A tough year for brokerages. Battered by insider trading scandals and the downturn in bond prices, and finally lumbled by October's historic stock market collapse, the U.S. securities industry closed the books on one of its most disappointing fiscal years.

Not surprisingly, brokerage stocks, which were already out of favor for most of 1987, mirrored the trend. Since October, they have sunk more than 40 percent. The majority are now trading below book value for the first time since 1982.

But for those investors who believe that the sector may have suffered enough, the bottom line is that these companies are going to have to continue firing people left, right and center if they are really going to prepare for the various consequences of economic uncertainty," Mr. Hambury says.

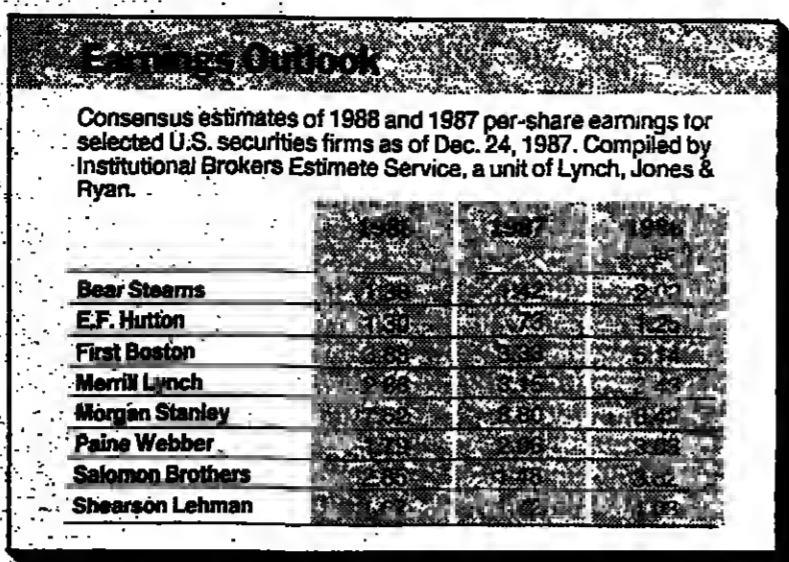
The biggest problem for analysts is determining which companies are best prepared for the vicissitudes of 1988. Most had seen their fortunes grow in line with the bull market that began in 1982. Coping with a flat market or the beginning of a bearish one is another story.

All agree that earnings from 1987 will be down, with a further drop expected in 1988. But whether retail firms or those that serve institutional clients will prove the better survivor in 1988 remains at the center of a lively debate.

On the retail side, volume in the equity markets is expected to be down dramatically this year. But increased bond and annuity sales at firms like Merrill Lynch and Shearson Lehman Brothers is expected to take up some of the slack.

Whether these sales are sufficient to offset the loss of commissions on the equity side remains a question, especially given the low profit margins of retail firms.

Michael W. Blumstein, an analyst with First Boston, believes the absence of traditional stock investors will hurt. "If you look at 1984, the last time trading thinned for retailers like Merrill Lynch, Paine Webber and Shearson," he says, "you no-



Consensus estimates of 1988 and 1987 per-share earnings for selected U.S. securities firms as of Dec. 24, 1987. Compiled by Institutional Brokers Estimate Service, a unit of Lynch, Jones & Ryan.

Industry observers generally agree that Shearson, on a long-term basis, is the most attractive buy among big retail brokers. It has a reputation for tight management and, more concretely, has the highest profit margin, roughly a full percentage point above the 3 percent performance turned in by fellow full service competitors in New York.

The company's November purchase of E.F. Hutton at a very attractive price of \$960 million, or 1.5 times book value, will

almost certainly result in some short-term reorganization expenses. But it should make Shearson large enough to enjoy significant operating economies when good times return to Wall Street.

Also on the retail side, analysts contend that regional firms like Legg Mason in Baltimore and AG Edwards in St. Louis are appealing as long-term buys, again because of high profit margins. While revenues are considerably smaller than at the large New York firms, regionals tend to have profit margins that hover in the 8 percent rather than 3 percent range.

When it comes to institutional brokers, bad news abounds. Underwriting activity

is expected to decline dramatically this year, with some analysts forecasting a 25 percent drop in new issues. Also, falling demand for junk bonds is expected to push sales of these securities down as much as 45 percent. The slim market for junk was exemplified recently by the failure of Salomon Brothers to find buyers for its high-yield Southland Corp. bonds, first offered last November.

Still, a number of analysts believe that institutional houses, where profits average about 10 percent of revenues, will fare better than their counterparts on the retail side, thanks to the fat fees generated by investment banking departments. Merger and acquisition activity, they contend, will make it easier for companies like Morgan Stanley, First Boston and Salomon to deal with a flat stock market.

Mr. Blumstein of First Boston cites low interest rates, low share prices and the decision by Congress not to tax merger and acquisition activity as harbingers of an upturn in mergers this quarter. "A lot of deals put on hold because of the tax issue should go through this quarter, bolstering the finances of these companies," he says.

Morgan Stanley, the market leader in mergers and acquisitions, represents a significant value at its current price of 1.2 times book or 7 times its 1988 earnings estimates of \$7 per share, according to Mr. Blumstein.

Brenda McCoy, an analyst at Paine Webber, doubts that the takeover business will remain so profitable, given the uncertainty about the economy. But she rates Salomon Brothers a buy in part because of its tough reorganization plan, which was announced before October.

Resilience of the Discounters



Illustration by S. Redinger

AFTER THE October market collapse, no retail brokerage experienced such precipitous drops in share price as the two publicly traded discount firms, Charles Schwab and Quick & Reilly. Both companies have seen about 50 percent of their equity value disappear since Black Monday.

That news should come as no surprise to investors aware of the discounters' almost exclusive dependence on brokerage commissions. Unlike their full-service competitors, they do not have a host of fixed-income and insurance products to boost revenue.

What should interest investors is that these stocks are expected to weather 1988 as well as, or better than, full-service brokers. The reason is big profit margins, which stand at about 14 percent at Schwab and 18 percent at Quick & Reilly.

Lyons, an analyst at Merrill Lynch. "I think the two wind up canceling each other out."

Ms. Lyons believes that Quick & Reilly, which traditionally sells at a premium to the industry, is an attractive long-term buy at 13 times 1988 earnings. The average multiple in the sector is close to 15.

Michael Blumstein of First Boston believes that an industry-wide drop in commission revenues will be less severe at the discount brokers than at the full-service firms. Still, he recommends Quick & Reilly only as a "hold."

"Newspaper accounts about disgruntled investors who couldn't get their orders through to retail brokers in October were given too much importance," he says. "At Schwab, for example, about 10 percent of the customers generate 80 percent of the business. A variety of [toll-free] numbers are used and it was only the inconsequential stock investor with a low priority number who got the busy signal."

Most analysts agree that Quick & Reilly is more attractive than Schwab. Perrin Long of Lipper Analytical Services observes, "Everything at Quick & Reilly is tied to profit. If revenue drops, compensation, paid largely in the form of bonuses, drops." Data-processing costs, which are contracted out, will also go down in a slow period.

At Schwab, which went public last September, salaries are often fixed and cost of computer equipment and staff remains the same during both business booms and contractions.

David C. Lanchner

The Promise and Peril of Spinoffs

By John Boland

WHEN A corporate management decides that a subsidiary no longer fits into its grand design for the future, the question is to spin off the unit to the company's shareholders.

For the company, one advantage of such a transaction is that unlike an outright sale, it would probably not be subject to federal income taxes. But a spinoff can be perplexing for investors.

"You have to look at each situation," says Jay R. Harris, a general partner at Goldsmith & Harris, an investment research firm in New York. Adds Charles W. Neuhauer, an analyst with Bear Stearns & Co., "The kinds of businesses that get spun off are not those that have a great story to grab investors' attention."

Nevertheless, some investors believe spinoffs may be bargains in the days after their shares begin trading. Often, the issues have a following among brokers or analysts, Mr. Neuhauer says, and sellers may dominate the early trading.

In 1986, for example, the Singer Co., focusing on its electronics and military systems businesses, spun off its sewing machine operations as a dividend to holders of its stock. The shares of the new unit, the SSMC Corp., quickly plunged from the mid-tens to \$11.50, about 40 percent of book value.

"People who had owned Singer as an apparel and defense company didn't want anything to do with a sewing machine company," says Linell McCurry, an analyst with Butcher & Singer in Philadelphia. Within a year, however,

Few deals come with a great story.

SSMC's stock climbed to a high of \$26.50.

Still, many investors are wary. "Managers will spin off companies that they know will have major problems in the future," says Roderic MacIver, who publishes the Contrarian Research report. He cited Fuqua Industries' 1980 spinoff of Interstate Motor Freight, which filed for bankruptcy in 1984.

Some recent spinoffs have received low ratings from investors. One of them is Sprague Technologies, which the Pem Central

Corp. distributed to shareholders last summer. The shares, which rose as high as \$20 in August and fell as low as \$7.125 in the October market panic, were trading around \$9 last week.

The price is apparently propped up by the company's offer to swap \$10 worth of bonds per share for up to three million shares. If the stock falls near its low after the swap, Mr. Neuhauer will be waiting. He believes the maker of electronic components could earn 75 cents a share this year, "and the stock should trade at \$12."

Goldsmith & Harris has recommended that clients buy Borden Chemical, a master limited partnership that was spun off from Borden Inc. in November. That deal was more of an initial offering than a spinoff, because the partnership units were not distributed free to Borden shareholders. Instead, in an underwriting led by the First Boston Corp., Borden sold the partnership units to the public at \$10 each.

The terms of the partnership appeal to Goldsmith & Harris. Payouts of at least \$1.20 a year are guaranteed by the parent company for the first five years. The 1988 distribution could approach \$2 a unit, says Phillip W. Goldsmith, the other partner in the investment firm. The units traded last week at around \$12.

Stock sales of subsidiaries pose many of the same risks for investors as other underwritings. A key concern is that underwriters may price a deal as high as the traffic will bear, perhaps higher than the fundamentals of the market will support.

Even before the market collapse, initial buyers of such 1987 spinoffs as Amax Gold Inc., formerly with Amax Inc., and the FMC Gold Co., spun off by the FMC Corp., were barely even. And the TTX Companies, a group of retailers spun off by the Zayre Corp., had lost 20 percent of its initial price.

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MONDAY, JANUARY 11, 1988

EUROBONDS

Shower of New-Year Issues Doesn't Dispel the Clouds

By CARL GEWIRTZ

PARIS — For the opening week of a year clouded by a more than normal share of economic worries, the Euro-bond market managed a surprisingly robust volume of 17 issues...

Because investors are tentative, bankers say that new issues have to be priced generously.

With investors taking a tentative attitude, bankers say that new issues have to be priced generously and tailored to appeal to investors.

The 10-year maturity was a bit longer than investors prefer, but the terms were appealing: a coupon of 6 1/2 percent offered at 100 1/4.

BY CONTRAST, Union Bank of Switzerland was criticized for the handling of the 75 million Canadian dollar issue for Household Finance.

UBS also set a low spread of 15 basis points over gilts on Toyota Motor's \$75 million of five-year notes, which were offered at 101 with a coupon of 9 1/4.

In addition, the market saw \$250 million of floating rate notes from the State Bank of New South Wales.

The issue carries an initial maturity of 10 years, but at each fifth year holders are invited to extend for an additional five years.

Panel Blames Megafunds in October's Plunge

Giants Seem To Surpass Dated Rules

By James Sterngold

NEW YORK — The idea that a handful of large financial institutions could bring the financial system to its knees through their unrestrained selling of stocks and the financial instruments that set off the selling is a terrifying prospect.

NEWS ANALYSIS

But that, in essence, is what the presidential commission on the stock collapse concluded. One of the most provocative and controversial points in the commission's report is that the plunge was not the product of collective panic by thousands of investors.

Rather, the report said, institutions such as pension funds, banks and endowments were behind the plunge. It was a stunning point: These professional investors, often regarded as cool and calculating...

The October experience illustrates how a relatively few, aggressive, professional market participants can produce dramatic swings in market prices.

It had been reported that the Fidelity group of mutual funds sold about that amount of stock on that day. But there was a more important point to be made.

What the report fundamentally underscored is that these institutions do not act like individuals. Using computers and sophisticated trading strategies, they have



Traders on the floor of the New York Stock Exchange on Friday, when the Dow Jones industrial average plunged by 140.58 points.

the ability to scan several different markets at once and operate in them simultaneously.

In effect, the commission argued, there are no longer separate markets in stocks, stock options or stock index futures.

It has been evident for decades that power over the financial markets has been increasingly concentrated in the hands of major institutions.

These institutions have grown in importance as individuals entrusted more and more of their savings and wealth to them.

Concern that these huge players were disrupting the market with their investment strategies arose more than two decades ago.

One of its conclusions was that institutional investors do not "gang up" on the market and act in tandem.

otherwise, they could stampede smaller investors in the market. Each institution pursued its own strategy, the report concluded.

Times, however, have changed with the introduction of new technologies. That is one of the key determinations of the presidential commission's report.

It basically sought to insure that the reality of huge institutions that operate across market boundaries be taken into account in the regulatory structure.

But it does suggest, in essence, that regulators begin to think about the market the way the major institutions that dominate trading do: as one interrelated system for investing capital.

dem on occasion, not by design but because they subscribe to very similar strategies. The remarkable aspect of this behavior was that, while those strategies were highly refined with computers, they did not take account of the market's absolute inability to handle this mass action.

New View Of Oil Demand

Agency Says More Is Consumed as OPEC Output Falls

Compiled by Our Staff From Dispatches

PARIS — The International Energy Agency said Monday that world oil demand was rising faster than previously expected, while OPEC had restrained output somewhat in December.

An IEA report predicted that, based on revised historical data, world demand for oil would be 50.2 million barrels a day in the first three months of 1988, up from a previous estimate of 48.9 million.

The agency said it had been underestimating oil consumption, particularly in the Third World. The main reason, it said, was that large amounts of oil believed to be in storage or in transit were actually being consumed.

On Dec. 14, OPEC agreed to an output ceiling of 15.06 million barrels daily. Iraq, which refused to sign the accord, has been producing 2.5 million barrels a day, according to the energy agency.

SAUDI ARABIA'S output cut to 4.2 million, just below its quota, and Kuwait's to 1.1 million from 1.2 million, still above its quota.

The energy agency said that the Third World's share of oil consumption rose from 13 percent in 1973 to more than 20 percent in 1986.

The IEA also slightly raised estimates for demand by the 24 nations of the Organization for Economic Cooperation and Development in the first quarter to 37 million barrels daily, from 36.8 million.

In Futures, A Sense of Threat

Congress Unlikely to Act on Brady Proposals

By Nathaniel C. Nash

WASHINGTON — The key recommendations by a presidential commission for reordering the regulation of U.S. financial markets are likely to be tied up in congressional debate and may never be acted on, legislators and regulatory experts say.

Although the commission's findings, released Friday by the White House, were eagerly awaited by members of Congress who will be under pressure to act, most of the specific proposals are considered either politically unrealistic or in conflict with suggested changes under consideration by several key senators and representatives.

In futures trading, a margin is the good-faith deposit an investor must put up when buying a contract to buy or sell an instrument or commodity at a particular price at a future date.

But the notion that futures and stock margins are comparable "is like saying legs and arms are comparable. They're both limbs, but they don't perform the same functions," said Richard Sandor.

The task force recommending the changes was led by Nicholas F. Brady, a former Republican senator who now heads the brokerage firm of Dillon, Read & Co.

Beyond its analysis of why the market collapsed in October, the rest of the commission's report — particularly four recommendations about changing the system of federal regulation over stock, options and futures trading — is likely to remain on a shelf as an innovative, but politically unworkable idea.

No one politician appears to object to all of the commission's suggestions, but most had problems with at least one or two of them. For example, Senator William Proxmire, the Wisconsin Democrat who heads the Senate Banking Committee, welcomed the recommendation that the Federal Reserve Board be given authority over other agencies to supervise the financial markets.

But perhaps the most crippling blow to the Brady suggestions was the fact that they met with a cool reception at the White House.

Mr. Markley said he welcomed the Brady commission's suggestion that uniform requirements be established for all purchases of stocks, options and futures bought on credit.

At the same time, Mr. Markley said he felt the idea of placing broad new authority with the Fed was not the right approach.

Diminishing the chances that Congress will do anything more than hold hearings on the study is the preoccupation of lawmakers with efforts by Mr. Proxmire toward the adoption of new legislation to further deregulate the U.S. banking industry.

But perhaps the most crippling blow to the Brady suggestions was the fact that they met with a cool reception at the White House. As early as the middle of last week, when the commission first presented its conclusions to the administration, the White House began to distance itself from them.

Last Week's Markets

Table with columns for Market, Jan 8, Dec 31, % Change. Includes US Index, Dow Jones, S&P 500, etc.

Currency Rates

Table with columns for Currency, Par \$, Jan 8, Dec 31, % Change. Includes British pound, West German mark, etc.

Forward Rates

Table with columns for Currency, Par \$, 30-day, 60-day, 90-day, 180-day, 360-day. Includes Pound sterling, Canadian dollar, etc.

REACTION, Page 13

Lloyds Eurofinance N.V.

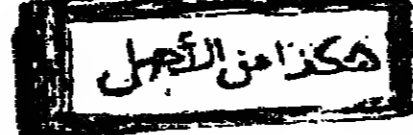
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NASDAQ National Market
OTC Consolidated trading for week ended Friday, Jan. 8

Symbol	100s	High	Low	Close	Chg	Symbol	100s	High	Low	Close	Chg
AAW	64	144	142	143	+2	AMR	10	14	14	14	-
AAE	32	11	10	10	-	AMT	10	14	14	14	-
AAI	32	11	10	10	-	AMV	10	14	14	14	-
AAJ	32	11	10	10	-	AMX	10	14	14	14	-
AAK	32	11	10	10	-	AMZ	10	14	14	14	-
AAAL	32	11	10	10	-	ANA	10	14	14	14	-
AAAM	32	11	10	10	-	ANB	10	14	14	14	-
AAAN	32	11	10	10	-	ANC	10	14	14	14	-
AAAO	32	11	10	10	-	AND	10	14	14	14	-
AAAP	32	11	10	10	-	ANE	10	14	14	14	-
AAAP	32	11	10	10	-	ANF	10	14	14	14	-
AAAS	32	11	10	10	-	ANG	10	14	14	14	-
AAAT	32	11	10	10	-	ANI	10	14	14	14	-
AAAU	32	11	10	10	-	ANJ	10	14	14	14	-
AAAV	32	11	10	10	-	ANK	10	14	14	14	-
AAAW	32	11	10	10	-	ANL	10	14	14	14	-
AAAX	32	11	10	10	-	ANM	10	14	14	14	-
AAAY	32	11	10	10	-	ANO	10	14	14	14	-
AAAZ	32	11	10	10	-	ANP	10	14	14	14	-
AABA	32	11	10	10	-	ANQ	10	14	14	14	-
AAAB	32	11	10	10	-	ANS	10	14	14	14	-
AAAC	32	11	10	10	-	ANT	10	14	14	14	-
AAAD	32	11	10	10	-	ANU	10	14	14	14	-
AAAE	32	11	10	10	-	ANV	10	14	14	14	-
AAAF	32	11	10	10	-	ANW	10	14	14	14	-
AAAG	32	11	10	10	-	ANX	10	14	14	14	-
AAAH	32	11	10	10	-	ANY	10	14	14	14	-
AAAI	32	11	10	10	-	ANZ	10	14	14	14	-
AAAJ	32	11	10	10	-	AOA	10	14	14	14	-
AAAK	32	11	10	10	-	AOB	10	14	14	14	-
AAAL	32	11	10	10	-	AOC	10	14	14	14	-
AAAM	32	11	10	10	-	AOD	10	14	14	14	-
AAAN	32	11	10	10	-	AOE	10	14	14	14	-
AAAO	32	11	10	10	-	AOF	10	14	14	14	-
AAAP	32	11	10	10	-	AOG	10	14	14	14	-
AAAS	32	11	10	10	-	AOH	10	14	14	14	-
AAAT	32	11	10	10	-	AOI	10	14	14	14	-
AAAU	32	11	10	10	-	AOK	10	14	14	14	-
AAAV	32	11	10	10	-	AOL	10	14	14	14	-
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AAAZ	32	11	10	10	-	AOS	10	14	14	14	-
AABA	32	11	10	10	-	AOT	10	14	14	14	-
AAAB	32	11	10	10	-	AOU	10	14	14	14	-
AAAC	32	11	10	10	-	AOV	10	14	14	14	-
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AAAE	32	11	10	10	-	AOW	10	14	14	14	-
AAAF	32	11	10	10	-	AOX	10	14	14	14	-
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AAAH	32	11	10	10	-	AOZ	10	14	14	14	-
AAAI	32	11	10	10	-	APB	10	14	14	14	-
AAAJ	32	11	10	10	-	APC	10	14	14	14	-
AAAK	32	11	10	10	-	APD	10	14	14	14	-
AAAL	32	11	10	10	-	APE	10	14	14	14	-
AAAM	32	11	10	10	-	APF	10	14	14	14	-
AAAN	32	11	10	10	-	APG	10	14	14	14	-
AAAO	32	11	10	10	-	APH	10	14	14	14	-
AAAP	32	11	10	10	-	API	10	14	14	14	-
AAAS	32	11	10	10	-	APJ	10	14	14	14	-
AAAT	32	11	10	10	-	APK	10	14	14	14	-
AAAU	32	11	10	10	-	APL	10	14	14	14	-
AAAV	32	11	10	10	-	APM	10	14	14	14	-
AAAW	32	11	10	10	-	APN	10	14	14	14	-
AAAX	32	11	10	10	-	APO	10	14	14	14	-
AAAY	32	11	10	10	-	APP	10	14	14	14	-
AAAZ	32	11	10	10	-	APQ	10	14	14	14	-
AABA	32	11	10	10	-	APR	10	14	14	14	-
AAAB	32	11	10	10	-	APS	10	14	14	14	-
AAAC	32	11	10	10	-	APT	10	14	14	14	-
AAAD	32	11	10	10	-	APU	10	14	14	14	-
AAAE	32	11	10	10	-	APV	10	14	14	14	-
AAAF	32	11	10	10	-	APW	10	14	14	14	-
AAAG	32	11	10	10	-	APX	10	14	14	14	-
AAAH	32	11	10	10	-	APY	10	14	14	14	-
AAAI	32	11	10	10	-	APZ	10	14	14	14	-
AAAJ	32	11	10	10	-	AQA	10	14	14	14	-
AAAK	32	11	10	10	-	AQB	10	14	14	14	-
AAAL	32	11	10	10	-	AQC	10	14	14	14	-
AAAM	32	11	10	10	-	AQD	10	14	14	14	-
AAAN	32	11	10	10	-	AQE	10	14	14	14	-
AAAO	32	11	10	10	-	AQF	10	14	14	14	-
AAAP	32	11	10	10	-	AQG	10	14	14	14	-
AAAS	32	11	10	10	-	AQH	10	14	14	14	-
AAAT	32	11	10	10	-	AQI	10	14	14	14	-
AAAU	32	11	10	10	-	AQJ	10	14	14	14	-
AAAV	32	11	10	10	-	AQK	10	14	14	14	-
AAAW	32	11	10	10	-	AQL	10	14	14	14	-
AAAX	32	11	10	10	-	AQM	10	14	14	14	-
AAAY	32	11	10	10	-	AQN	10	14	14	14	-
AAAZ	32	11	10	10	-	AQO	10	14	14	14	-
AABA	32	11	10	10	-	AQP	10	14	14	14	-
AAAB	32	11	10	10	-	AQR	10	14	14	14	-
AAAC	32	11	10	10	-	AQS	10	14	14	14	-
AAAD	32	11	10	10	-	AQT	10	14	14	14	-
AAAE	32	11	10	10	-	AQU	10	14	14	14	-
AAAF	32	11	10	10	-	AQV	10	14	14	14	-
AAAG	32	11	10	10	-	AQW	10	14	14	14	-
AAAH	32	11	10	10	-	AQX	10	14	14	14	-
AAAI	32	11	10	10	-	AQY	10	14	14	14	-
AAAJ	32	11	10	10	-	AQZ	10	14	14	14	-
AAAK	32	11	10	10	-	ARA	10	14	14	14	-
AAAL	32	11	10	10	-	ARB	10	14	14	14	-
AAAM	32	11	10	10	-	ARC	10	14	14	14	-
AAAN	32	11	10	10	-	ARD	10	14	14	14	-
AAAO	32	11	10	10	-	ARE	10	14	14	14	-
AAAP	32	11	10	10	-	ARF	10	14	14	14	-
AAAS	32	11	10	10	-	ARG	10	14	14	14	-
AAAT	32	11	10	10	-	ARI	10	14	14	14	-
AAAU	32	11	10	10	-	ARJ	10	14	14	14	-
AAAV	32	11	10	10	-	ARK	10	14	14	14	-
AAAW	32	11	10	10	-	ARL	10	14	14	14	-
AAAX	32	11	10	10	-	ARM	10	14	14	14	-
AAAY	32	11	10	10	-	ARN	10	14	14	14	-
AAAZ	32	11	10	10	-	ARO	10	14	14	14	-
AABA	32	11	10	10	-	ARP	10	14	14	14	-
AAAB	32	11	10	10	-	ARQ	10	14	14	14	-
AAAC	32	11	10	10	-	ARR	10	14	14	14	-
AAAD	32	11	10	10	-	ARS	10	14	14	14	-
AAAE	32	11	10	10	-	ART	10	14	14	14	-
AAAF	32	11	10	10	-	ARU	10	14	14	14	-
AAAG	32	11	10	10	-	ARV	10	14	14	14	-
AAAH	32	11	10	10	-	ARW	1				



New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price end week	Terms
FIXED RATE NOTES						
State Bank of New South Wales	\$250	1998	3 1/4	100	99.75	Over 6-month Libor, Noncallable, Extendable every 5 years. Fees 0.32%. Denominations \$10,000.
Comptoir d'Epargne	¥10,000	1995	0.55	100 1/4		Below the Japanese long-term prime rate, semiannually. Noncallable private placement. Fees 0.35%. Denominations 10 million yen.
REBATE COUPON						
Autobank	DM1,000	1998	6 1/4	100 1/4	98.75	Noncallable. Fees 25%.
Autobank Investment	DM100	1991	4 1/4	100 1/4		Noncallable private placement. Also 1.5 million two-year warrants, priced at 12% marks each, settling holders to buy \$100 of a fixed exchange rate of 1.635 marks per dollar. Issuance rate 1.7% Fee 15%.
Autobank National Building Society	£50	1993	10 1/4	101 1/4	99.00	Noncallable. Fees 15%.
Autobank Motor Credit	£75	1993	9 1/4	101	97.75	Noncallable. Fees 15%.
Autobank Capital	£100	1993	7 1/4	101	98.50	Noncallable. Fees 15%.
Autobank Bank	£100	1993	7 1/4	101 1/4	99.25	Noncallable. Fees 15%.
Autobank Investment	£100	1996	8	101 1/4	99.38	Noncallable. Fees 2%.
Autobank Mortgage	CS 100	1993	10 1/4	100 1/4	98.88	Noncallable. Fees 15%.
Autobank Export Credit	CS 75	1991	10 1/4	101 1/4	99.63	Noncallable. Fees 15%.
Autobank Motor Credit	CS 100	1993	10 1/4	101	99.00	Noncallable. Fees 15%.
Autobank Finance	CS 75	1993	10 1/4	100 1/4	99.00	Noncallable. Fees 15%.
Autobank Comptoir d'Epargne	¥10,000	1993	5 1/4	101 1/4		Noncallable private placement. Fees 15%. Denominations 10 million yen.
Autobank Savings	¥3,000	1993	2 1/4	101 1/4		Coupon will be 2 1/4% in first 2 years and 7 1/4% thereafter. Noncallable. Fees 15%. Denominations 10 million yen.
EQUITY LINKED						
Holland Can	\$80	1993	open	100	103.00	Coupon indicated at 2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 25%. Terms to be set Feb. 12.
Holland Denks	\$100	1993	open	100	104.00	Coupon indicated at 2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 25%. Terms to be set Jan. 12.

MARKETS: Jittery After Fall

(Continued from Page 1)

summer goods; rising inflation as foreign and U.S. producers raise prices in the face of robust demand; and a continued worsening of the U.S. trade deficit, with imports rising and less domestic production available for export.

But Mr. Keating said this interpretation was incorrect. The December job data showed that retail employment was flat and manufacturing employment was up.

"The U.S. economy is clearly going through a new experience," he said, "witnessing weak consumer spending combined with buoyant industrial output and increasing employment" as the United States, benefiting from the two-and-a-half-year slide in the dollar's value, shifts to an export-led growth path.

U.S. consumers, he said, are underdebted, real incomes are not increasing and consumers are not prepared to cut further their already low savings to go on spending as they have. Taken together with the flat retail employment, Mr. Keating said he saw no reason to expect anything other than flat consumer spending on durable goods, those items expected to last three years or more.

Texaco Charge Is One of Largest in U.S.

By Stephen Labaton

NEW YORK — The charges of \$4.9 billion that Texaco Inc. is to take against fourth-quarter after-tax earnings in order to finance its bankruptcy reorganization are among the largest ever taken by a U.S. company.

Texaco also said Friday that it planned to sell at least \$3 billion in assets to reduce its debt.

The \$4.9 billion includes a write-down of about \$2.1 billion of the value of assets. It also includes a charge of \$2.8 billion, reflecting most of the \$3 billion settlement of its legal dispute with Pennzoil Co.

The properties for sale were not identified, but Texaco said they would include refining and marketing assets. These would include the sale of partial interests in refineries and other assets to one or more joint ventures that would be formed with outside parties.

"It sounds to me like they are contemplating a hunch of mini-leveraged buyouts with some of their properties," said Wilbur L. Ross Jr., a managing director of Rothschild Inc., who is advising a committee of Texaco's shareholders.

It is a leveraged buyout, money is borrowed to buy a company, and repaid with earnings of the company or the sale of its assets.

Texaco's announcement was made about half an hour before the New York Stock Exchange closed. Texaco's shares fell 75 cents to close at \$38.125.

Proceeds from the asset sales would be used to retire debt, he said.

Last April, Texaco, the third-largest U.S. oil company, filed for protection from creditors under Chapter 11 of the Federal Bankruptcy Code. The filing was part of its efforts to fight a \$1.03 billion judgment that Pennzoil had obtained against it for interfering with Pennzoil's planned merger with Getty Oil Co.

Last month, Texaco filed a proposed plan with a Federal Bankruptcy Court to emerge from bankruptcy this spring. Including its \$3 billion settlement with Pennzoil, Texaco anticipates that it will have to pay its creditors \$5.6 billion.

In recent weeks, Texaco has been approached by foreign companies about the sale of its Canadian subsidiary, Texaco Canada Inc., in which it holds a 78 percent stake. It has also talked with Petroses of Venezuela SA, an oil company owned by the Venezuelan government, over the sale of certain European refining operations.

Jaguar Sets Sales Record

By Stephen Labaton

LONDON — Jaguar PLC, the British maker of luxury cars, said Monday it had sold a record number of its cars worldwide last year.

Jaguar sold 46,612 Jaguars and Daimlers in 1987, a spokesman said. He said sales were 14 percent ahead of the old record, set in 1986.

Sales rose nearly 5 percent in the United States, where Jaguar sells just over half of its cars. British sales rose 46 percent and European sales by 51 percent.

Jaguar has forecast that it will report a dip in pretax profit for 1987, to \$105 million (\$189 million) from \$120 million in 1986, mainly because of the costs of introducing its latest XJ model.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Symbol	1987 High	1987 Low	Close	Chg	Net
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100

PANEL: NYSE Head Sees 'No Guarantee' for Market

(Continued from Page 1)

publican senator from New Jersey. In his report issued Friday, the panel proposed a set of regulatory actions to cope with the new dynamics of the U.S. capital markets and to avoid a recurrence of the Oct. 19 stock downturn.

Mr. Brady, who is the chairman of Dillon, Read & Co., a New York investment banking firm, said Sunday he did not sense the spiraling panic that characterized the week-end following Oct. 19.

"I don't think that we can rest assured" that "we have everything in place that would protect the public," he said. "But at least the Brady report has gotten the subject up on the table."

Mr. Brady, the commission head, also took care to address the concerns of small investors. He noted that 60 percent of stock market capitalization is held by individuals, who probably were confused by the vast selling in October.

The presidential commission headed by Mr. Brady, essentially placed the blame for the Oct. 19 decline on new trading techniques

The U.S. trade figures will begin registering this shift, "if not in the November data then certainly in the months that follow," he said.

The improving trade data, Mr. Keating said, will keep the market from weakening further, definitively breaking the chain of global instability in financial markets witnessed last October.

But the December job data clearly joined New York.

October's stock sell-off had resulted in a rise in bond prices as the cash raised from the sale of stocks went into the safety of the government bond market.

But on Friday, bond prices also fell sharply, on fears that the Federal Reserve will be obliged to raise interest rates if the economy heats up.

However, Henry Kaufman, Salomon Brothers Inc.'s chief economist, who has predicted that rates will rise, said he saw no imminent danger of that happening.

"Against the backdrop of a more stable dollar and apparently sturdy economic growth, which has yet to unleash faster price gains, the Federal Reserve will likely be content to leave current policy unchanged," he said in his weekly telecast.

Nevertheless, the prospects have increased that the next move in interest rates will be up rather than down.

With the threat of a collapsing dollar removed, neither West Germany's central bank, the Bundesbank, nor the Bank of Japan are likely to cut rates when both are concerned about the massive overshooting of the growth in their domestic money supplies. For its part, the Bank of England signaled last week that rapid growth may require a rise in interest rates to keep inflation in check.

REACTION: Futures Markets Assail Some of Panel's Recommendations

(Continued from first finance page)

ized the importance of differences between margins in futures and securities.

"Futures margins are like insurance premiums; securities margins are like a cash down payment on a purchase," he said. "Failure to recognize these differences will result in increased costs to U.S. markets, which will drive our business offshore."

Mr. Donovan said he agreed with the report's recommendation that coordination and communication be improved between related market systems. But he said, "The mechanics whereby such coordination could be achieved will require careful study."

Julia M. Flynn of The New York Times reported from Chicago: The Chicago Board of Trade

Despite Capital/Asset Warnings, Terms Stay Soft

By Carl Gewirtz

PARIS — Despite all the talk about standardized capital/assets ratios forcing banks to seek higher returns on new business, there is still no sign of any hardening terms on internationally syndicated bank loans.

Thailand has just asked banks to submit terms for an eight-year loan of \$300 million that could be increased to \$500 million. The proceeds will be used to repay existing more expensive debt.

The country's previous 10-year loan carried a margin of 1/4 point, or 12 1/2 basis points, for the first two years and 1/4 point over the London interbank offered rate for the final eight years. Now, bankers in Asia report a margin of 1/4 point is likely to be the maximum Thailand will pay, and very likely the charge will be lower.

In fact, the only time the coming new capital/assets ratios are mentioned is when banks are looking for an excuse not to do business they prefer not to do.

This appears to be the case with the \$300 million, 10-year credit being arranged for India's Oil and Natural Gas Commission by Morgan Guaranty Trust and Bank of Tokyo.

The two banks won the mandate proposing a margin of 3/16 point over Libor for the first two years and 1/4 point for the final eight years. There is a grace period of seven and a half years during which

Treasury Bonds

Jan. 8

Maturity	Close	Yield	Chg
31-12-89	99 1/8	7.87	-1/8
31-12-91	99 1/4	8.07	-1/8
31-12-93	99 1/2	8.26	-1/8
31-12-95	99 3/4	8.52	-1/8
31-12-97	99 5/8	8.82	-1/8
31-12-99	99 7/8	9.00	-1/8
31-12-01	99 9/8	9.28	-1/8
31-12-03	99 11/8	9.56	-1/8

Euromarts At a Glance

Jan. 6

Country	1987 High	1987 Low	Close	Chg	Net
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100

Triple Time

Amateur short sellers become so aggressive during the latest crash

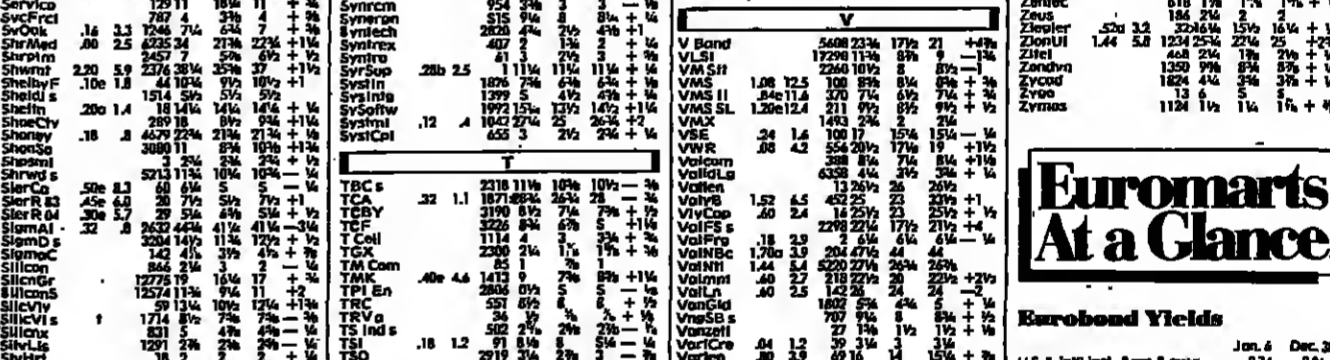
some that Indigo research indicates some of them will get wiped out twice over on the rebound. With phone or telex for complimentary reports charting potential trading movements in such cases as the fastest-growing PC motor, the pioneer in engineering work stations and a gene-splicing leader.

Indigo

Indigo is not a licensed broker.

Anda Palma de Mallorca 43, Turis, Mallorca, Spain. Telephone 34-97-383600 - Telex 79423.

Share the wealth.



Weekly Sales

Jan. 7

Category	1987 High	1987 Low	Close	Chg	Net
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100

Libor Rates

Jan. 8

Country	1987 High	1987 Low	Close	Chg	Net
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100
Amgen	115.00	110.00	112.00	+2.00	+100

LIBOR RATES

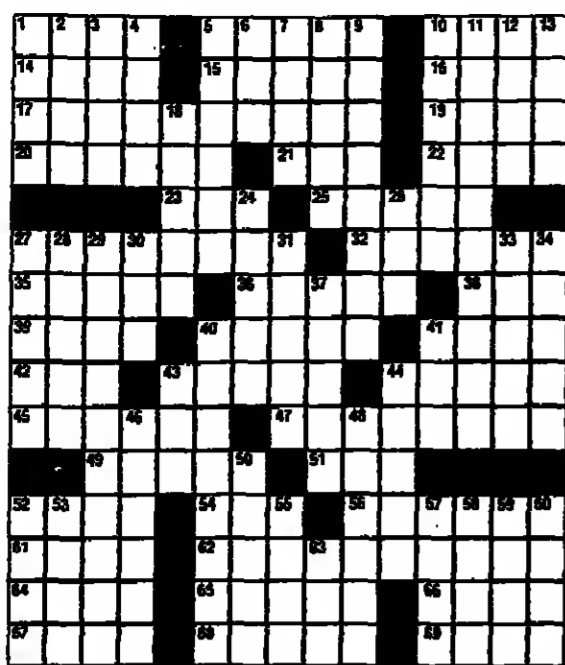
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LIBOR RATES

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31-12-01	99 9/8	9.28	-1/8
31-12-03	99 11/8	9.56	-1/8



ACROSS

- 1 Make over
2 Lake or canal
3 Thin, circular plate
4 Formerly
5 Invaluable a law
6 Building addition
7 Prepare for publication
8 Open to bribery
9 Heraldic
10 Confer holy orders
11 Curbs
12 Remove from office
13 Feminine suffix
18 False gods
24 Happen again
26 Former G.I.
27 Oral, as evidence
28 Greek marketplace
29 Curbs
30 Exist
31 Printed crafts
32 Rialta
33 Word of woe
34 Finished
37 Lawful
40 Steinbeck's "Flat"
41 Storage drawer
43 Actress Arthur
44 Brown pigment
46 Having a high shine
48 and Polkux
50 Hebrew prophes
52 Asexual, e.g.
53 Hindu spiritual guide
55 Russian city east of Chelyabinsk
57 And others: Abbr.
58 Get one's goat
59 Highway orders
60 Handle for radiator
63 Suffix with expert

DOWN

- 1 Beauty film
2 Lake or canal
3 Thin, circular plate
4 Formerly
5 Invaluable a law
6 Building addition
7 Prepare for publication
8 Open to bribery
9 Heraldic
10 Confer holy orders
11 Curbs
12 Remove from office
13 Feminine suffix
18 False gods
24 Happen again
26 Former G.I.
27 Oral, as evidence
28 Greek marketplace
29 Curbs
30 Exist
31 Printed crafts
32 Rialta
33 Word of woe
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DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words. PALPY, RUYLB, GYFFIE, PRONED. Answer: TONIC, HYENA, WHEEZE, BUOYED.

WEATHER

Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, and OCEANIA. Includes high and low temperatures for various cities.

SPORTS BRIEFS

2 More Die During Paris-Dakar Rally

PARIS (AFP) — Patrick Canado of France became the 20th person killed in the 10 years of the annual road rally from Paris to Dakar, Senegal, and the second in two days, when he was burned to death Sunday in the wreckage of his Range Rover in Niger. Earlier in the day, a French mechanic, Girard Lason, received severe internal injuries when he was run over by a car as he slept on the ground.

Yankees Lose Gullickson to Tokyo Giants

NEW YORK (Combined Dispatches) — The New York Yankees lost a pitcher Friday night when Bill Gullickson rejected their final offer and headed for Japan, where he is expected to sign a two-year, \$3.3 million contract with the Tokyo Giants.

For the Record

Todd Santos of San Diego State passed 39 yards for a fourth-quarter touchdown Sunday as the West all-stars won the Japan Bowl football game, 17-3, in Yokohama.

Solution to Friday's Puzzle. Grid with words like ACROSS, DOWN, and various letter combinations.

Brian Botsman won the U.S. figure skating title, ahead of Paul Wylie and Christopher Bowman. Debi Thomas won the women's title, over Jill Trenary and Caryn Kadavy.

SPORTS

Wasmeier Wins; Austrians Disqualified

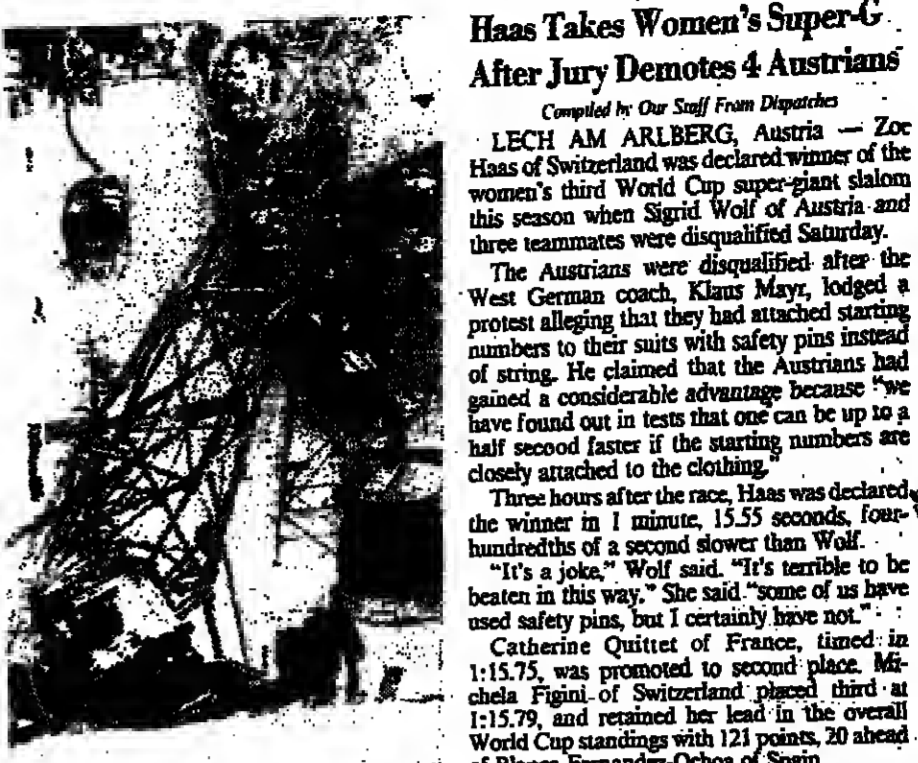
In Downhill, Zurbriggen Posts First Victory, in Record Time

VAL D'ISERE, France — Markus Wasmeier of West Germany, coming back from a serious back injury, won the men's first World Cup super-giant slalom of the season Sunday. He was clocked at 1 minute, 29.16 seconds.

Alberto Tomba of Italy maintained his lead in the cup overall standings with 136 points, although Zurbriggen, in second place, closed the gap to 5 points with 131.

Tomba, who early in the season created a sensation by winning five slalom and giant slalom races, finished fifth Sunday behind Günther Mader of Austria. The Italian did not race Saturday.

The race, originally scheduled for Garmisch-Partenkirchen, West Germany, but transferred because of lack of snow, was delayed 30 minutes after a snow grooming tractor skidded into a ski-lift pylon, killing the tractor's driver and injuring three people in a gondola.



A snow tractor hit a ski-lift pylon in Val d'Isere, killing the driver. Downhill champion Peter Mueller just missed being hurt.

After seeing his winning time posted on the electronic scoreboard, Zurbriggen, the defending World Cup overall champion, thrust his right arm in the air and let out a mild yell. "I skied better today than I have been," he said. "I am pleased to win."

Brazil Reportedly Seeking Quick IMF Pact on Debt

RIO DE JANEIRO — Brazil will seek a quick agreement with the International Monetary Fund on its \$116 billion foreign debt and has dropped a longstanding demand that private banks first agree to a refinancing package, according to a Finance Ministry source.

The comment came as Fernando Milliet, president of Brazil's central bank, prepared to meet on Monday in New York with a 14-member committee of private creditors led by Citicorp.

When Brazil stopped paying interest to foreign banks 11 months ago, government officials said falling exports had left the nation with insufficient foreign currency.

Now trade has picked up, allowing the negotiations on resumption of some interest payments. The Finance Ministry source said, however, that Brazil will not pay medium- and long-term interest falling due in January until it reaches an agreement with the banks.

Given Brazil's weak reserve position, bankers said it is unlikely it will be able to include a plan to swap bonds for debt in the package. Such a plan is being arranged for Mexico, which will dip into its huge holdings of reserves to pay for the transactions.

Brazil had proposed a similar plan last autumn, but the plan soon died when the U.S. Treasury secretary, James A. Baker 3d, said it had no chance.

From Resorts to the 'Chunnel,' China's Investments Grow Abroad

BEIJING — Foreign money has poured into China for the past nine years, but the flow is increasingly two-way. Beijing has begun to aggressively invest abroad, a dramatic change from the early days of Communist rule.

In 1979, nontrade investments abroad amounted to four projects worth \$1.2 million. Now, according to the People's Daily, there are more than 300 projects worth \$500 million, including a resort in the Bahamas, a forest and real estate in the United States, an Australian aluminum smelter and the tunnel that is being built under the English Channel.

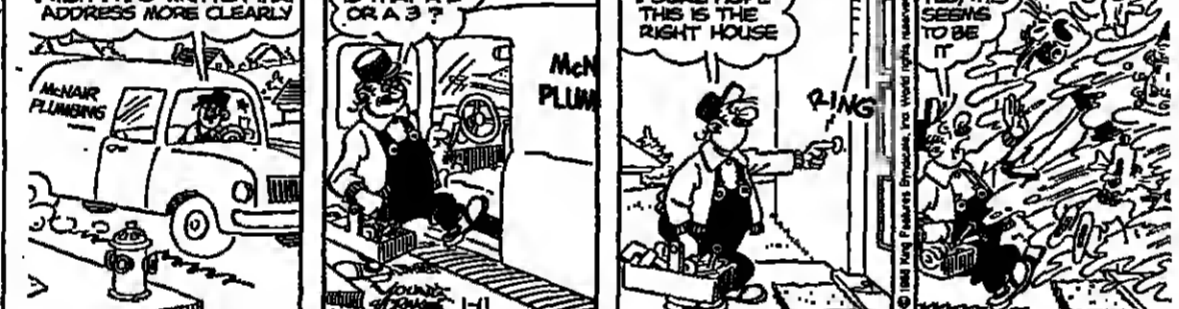
The scope of China's foreign investment has also changed — from production of goods it would otherwise have to import, to investment for profit and prestige, foreign bankers said.

Much of the foreign investment was pioneered by China State Construction Engineering Corp., one of the largest contractors in the world with 25 offices overseas.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



Vertical text on the right edge of the page, including 'Taking after Father's timing', 'SCOREBOARD', and 'Selected U.S. College'.

SPORTS

Vikings Stun 49ers Before Redskins Upset Bears in NFL Playoffs

Carter Far Outplays Rice During 36-24 Triumph

By Michael Wilbon
Washington Post Service
SAN FRANCISCO — What the owner of the San Francisco 49ers, Eddie DeBartolo, needed Saturday was a money-back guarantee. After releasing his players with \$10,000 a week...



Photo Courtesy: The Associated Press

Under and Over, Then Up and Out

Earnest Byner, top, who carried the ball 23 times, gained 122 yards and scored twice, went under the flying tackle of the Colts' Freddie Robinson to get the Browns' first touchdown in an American Conference playoff game...

Green Runs for 52 Yards On Punt to 21-17 Victory

CHICAGO — Darrell Green ran back a punt 52 yards for the deciding touchdown Sunday as the Washington Redskins rallied from a 14-point deficit early in the Washington Redskins playoff game and upset the Chicago Bears, 21-17, to reach the National Conference title game for the second straight year...

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Browns Halt Dickerson, Rout Colts to Gain AFC Title Game

CLEVELAND — The Cleveland Browns disposed of three-back memories and one real obstacle Saturday when they beat the Indianapolis Colts, 38-21, in an American Conference semifinal of the National Football League playoffs...

Selected U.S. College Results

Table listing college sports results including basketball, football, and other events from various universities across the United States.

World Cup Skiing

Table showing results for the World Cup Skiing competition, including men's super-giant slalom, slalom, and giant slalom events.

NHL Standings

Table showing the current standings for the National Hockey League (NHL) teams, including the Patrick, Adams, and Campbell divisions.

European Soccer

Table showing results from European soccer leagues, including the Italian First Division and the Spanish First Division.

Tennis

Table showing results from tennis tournaments, including the New South Wales Championship and the Women's Singles Finals.

Transition

Table showing results from baseball games, including the Houston Astros and the San Francisco Giants.

SCOREBOARD

Large scoreboard table listing various sports events, including basketball, football, and other games, with columns for teams, scores, and game status.

Basketball

Table listing basketball game results, including National Basketball Association Standings and various college basketball games.

Hockey

Table listing hockey game results, including NHL Standings and various international hockey matches.

Baseball

Table listing baseball game results, including National League and American League games.

No. 1 Kentucky Is Beaten By Unlikely Auburn Hero

LEXINGTON, Kentucky — An improbable hero emerged to help Auburn get an improbable victory Saturday night, when John Caylor's three-point shot with 10 seconds left in the game upset previously unbeaten and top-ranked Kentucky, 53-52...

